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ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

QUEBEC CITY

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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held in the Chateau Frontenac at Quebec City, Province of Quebec, on the 22nd day of October, 1959.

COMMISSION

Honourable C. P. McTague, Q.C.	Chairman
Mr. H. Anscomb	Member
Mr. A. H. Balch	Member
Mr. R. Gobeil	Member
Mr. H. Mann	Member
Mr. A. Platt	Member

COMMISSION COUNSEL

Mr. A. G. Cooper, Q.C.

Mr. G. S. Cumming

Mr. F. W. Anderson	Secretary
Major N. Lafrance	Assistant Secretary

Mr. M. A. MacPherson	Absent Member.

THE CHAIRMAN: And now, gentlemen, may we have the appearances of anyone who wishes to make a presentation here.

MR. BERTRAND: My name is Dominique Bertrand, president of the Study Committee formed by the Greater Quebec Industrial and Trade Bureau.

THE CHAIRMAN: Yes, Mr. Bertrand. Do you have some representations to make or a brief to file?

MR. BERTRAND: Yes, Mr. Chairman.

THE CHAIRMAN: Then, will you proceed with it.

Mr. Chairman and Commissioners:

The Industrial and Trade Bureau of Greater Quebec Inc. is happy indeed to have the opportunity to meet with the members of the Royal Commission appointed to inquire into problems relating to railway transportation in Canada and wishes to express its more sincere thanks for the kind invitation to appear before this Commission and extend to you, Mr. Chairman and Commissioners, a most hearty welcome in our City.

By way of introduction, we would like to mention that the Industrial and Trade Bureau of Greater Quebec Inc. is a non-governmental corporation set up in 1956 under the Companies' Act, third part, for non-profit organizations. Its overall purpose is to promote and protect the economic interests of Greater Quebec and it was organized and is now financed by a group of prominent industrialists and

businessmen and by most municipalities and civic associations of Greater Quebec.

Desiring the grouping of everyone's efforts in the best interests of our region, the Industrial and Trade Bureau has decided to form a Committee composed of the representatives of the Cities and Chambers of Commerce of Quebec and Levis, the Canadian Manufacturers' Association and our Bureau, with the purpose of presenting, on behalf of our Greater Quebec region, a brief to the McTague Royal Commission on problems of railway transportation particularly affecting our region.

This Study Committee has started to work on this problem and has already on files, documents pertaining to the historic aspect of the question. In order to help in this task, the Committee has formed an Advisory Committee and has already secured the services of a few experts to examine the problem as a whole and make recommendations with regards to particular problems that may be of direct interests to the Commission and subject to more thorough studies.

The Committee regrets and believes that the Commissioners will appreciate the fact that circumstances prevented it from presenting today an official brief and offers his apologies to be only in a position to express its intentions.

Enlightened by the recommendations of its advisors, the Committee will examine the necessity of presenting at a later date a thorough

study of particular railway transportation problems which might possibly be unfair to our region and takes the liberty of soliciting today the honour of a later hearing, if it finds it a propos.

We would greatly appreciate knowing, however, what the powers and scope of the Commission exactly are, in order that our efforts may lead to the submitting of a pertinent brief which fits in with the terms of the Commission.

We thought it advisable, Gentlemen, to invite to this meeting our Members of Parliament in Ottawa, knowing of their continued interests in this matter of railway transportation and in order to benefit also from their experience and knowledge in this field.

The various organizations of our metropolitan region forming our Committee believe in the importance of regional studies in the overall analysis of a problem and, for this reason, wish to respectfully submit to your attention, Mr. Chairman and Commissioners, the particular aspects of railway transportation for the Quebec Metropolitan area.

THE CHAIRMAN: Thank you, Mr. Bertrand. You do have a copy of our reference, the Order-in-Council?

MR. BERTRAND: Yes, we do have everything which has been submitted to us by your secretary.

Now, are there some other presentations to be made?

MR. BIRON: Yes, I would like to make a presentation.

THE CHAIRMAN: Thank you.

MR. BIRON: My name is Guy Biron, and I am here representing the Thetford Mines Chamber of Commerce.

THE CHAIRMAN: What is this, asbestos?

MR. BIRON: No, it is in connection with local receivers and shippers on transportation within the Thetford Mines area.

Statement by the Thetford Mines Chamber of Commerce in connection with P.C. 1959-577 in the matter of the Royal Commission relating to Railway Transportation

The interest of the Thetford Mines Chamber of Commerce in the above matter stems from the realization that the shippers and receivers of transportation located on the Quebec Central Railway are at a serious disadvantage in competing with other shippers and/or receivers located on the rail carriers of the Canadian National Railways and/or Canadian Pacific Railway in territory adjacent to that of the Quebec Central Railway.

Our submission is based on the policy of the member of the Thetford Mines Chamber of Commerce collectively. It is without prejudice to the interests of any individual member or group of members who may wish to make separate

representations.

In presenting our submission, in answer to the terms of the Commission under sub-paragraph a) and b) which we find affect traffic on our line may we point out that:

A recent survey indicates that with the majority of the shippers and/or receivers, except the Asbestos Producers who enjoy special Commodity rates, do not encourage the local rail line and that the latter is experiencing difficulties in retaining or holding the traffic to the rails. The result being that the limited use of the rail service is a definite threat of deterioration of the service.

The reason for this tendency to shipping via other forms of transportation is principally due to the fact that there is too great a spread in the rates on the Quebec Central compared with other lines parallel to the local line when the distances are approximately the same. This situation is a handicap to the shippers and/or receivers of freight who must compete with their counterparts located on the lines parallel to the Quebec Central.

We would like to draw your attention to the rate statement attached covering normal class rates between Thetford Mines and principal points in Canada such as Montreal, Toronto, Winnipeg, etc., comparing these normal class rates with Plessisville on the Canadian National Railways and Megantic

on the Canadian Pacific.

If I may say something here; we only gave you a couple of copies of that statement and I have others which I will furnish you with. This statement, by the way, is in connection with normal class rates and was made up back in May, and I hope you will bear with me that this statement doesn't at the moment reflect the actual normal commodity class rates because the seven per cent reduction was not taken into account, and as I understand it it is only a temporary measure, it will not affect the differential because it applies to all normal class rates in the statement.

As indicated in the rate statement, the class rates between Toronto-Montreal are the same to Thetford Mines and Megantic the rail mileages being identical. The first class rate however from Montreal to Plessisville is .39 cents per 100 lbs. or $7.80 per ton lower, although the distances are relatively the same. It does not appear normal that there should be such a difference in rates when the distances involved are compared. The same applies in the case of Toronto.

When we consider the Western destinations, it can be noted that a worse situation obtains. For example, between Winnipeg and Megantic the class rates are the same as Plessisville, whereas to Thetford Mines the first class rate is .60¢ per 100 lbs. higher or $12.00 per ton.

Thetford and Megantic are placed on the same basis in connection with the normal class rates from Montreal and Toronto seems to indicate a disparity in the rate structure between Thetford Mines and Western destinations. This difference cannot be attributed to the mileages which are as follows:

	Rail Mileages
From Winnipeg to Thetford Mines	1578
From Winnipeg to Megantic	1575
From Winnipeg to Plessisville	1533

We would like to give you an example of what is involved: Assuming that a producer of a 5th class product in Thetford Mines must compete with a producer in Megantic or Plessisville on the same product a carload of 50,000 lbs. shipped to Winnipeg would cost $135.00 more when shipped from Thetford Mines, surely that is enough to discourage any shipper from encouraging the local rail line.

We appreciate the fact that shippers and/or receivers are located on a "short line Carrier" which is entitled to its "arbitraries" but one must not overlook that the addition of these arbitraries in many cases is without a doubt a serious handicap regarding the rate relationship when compared with the lines running parallel to the Quebec Central. This situation certainly does not help the local line vis-a-vis other local competition.

We do not wish to blame the local rail carrier entirely for this situation. However we

contend that the present rate structure which in many cases still reflects the rate structure applicable when the carrier enjoyed a monopoly and no longer meet present day conditions.

We would therefore strongly urge your Commission to recommend that the Railway Act be made to apply in order to give the local carrier more freedom to meet present day conditions, thus ensuring shippers and/or receivers a better competitive position.

Recently, an Industrial Commission was formed in the City of Thetford Mines and one of the problems encountered in interesting new industry is that of economical and competitive transportation rail facilities and if this commission is to operate successfully the transportation feature should be more attractive.

We trust that your commission will be cognizant of our transportation problems, and therefore permit us to present, when the time comes, a brief outlining the present issue.

THE CHAIRMAN: Thank you, Mr. Biron. I think Mr. Mann would like to ask you a couple of questions.

MR. MANN: Could you give the Commission an indication of who owns or operates the Quebec Central?

MR. BIRON: Well, I never had any official say about this but, of course, everyone knows that Canadian Pacific owns a good number of the shares of

the Quebec Central.

MR. MANN: Would you say that Canadian Pacific controls, in effect, the Quebec Central?

MR. BIRON: Yes, they control it to a great extent.

MR. MANN: Does the situation that you point out actually hold true on class rates? I think that you mentioned on commodity rates the situation was somewhat different?

MR. BIRON: Well, the Asbestos Producers encouraged the rail line for obvious reasons; they can't move all their product by other means, and in so doing the rail lines recognized the volume, and they do enjoy commodity rates which are much lower than the average shipper or receiver within the Thetford Mines region.

MR. MANN: Would it be correct to say in the commodity rates that there is an agreed charge that the rails are able to put on the through mileage?

MR. BIRON: I believe there is. The arbitrary, in many cases, is now being discarded. It is difficult for me to answer these questions. As you know, we don't know how the rail lines apportion their revenue and it is not for us to say this, but we believe that the arbitraries are not looked upon as they were many years ago, that is, in the case of asbestos.

MR. MANN: The class rates, you say on your statement as far as Thetford Mines are concerned,

the rate to the junction, is it a proportionately -

MR. BIRON: The rates to the junction? No, they are straight class rate.

MR. MANN: Local rates?

MR. BIRON: Yes.

MR. MANN: They are not published as proportionately class rates?

MR. BIRON: No, they are not.

MR. MANN: I have a couple of more questions. I haven't got the brief in front of me, but I think I recall your saying that the Railway Act doesn't provide for a remedy to this situation. Am I correct in my understanding there?

MR. BIRON: Well, I believe that at the present time there is - the rail lines have the free hand when making rates to add an arbitrary short line. They have that freedom.

MR. MANN: You don't feel the Railway Act, which gives the Board some jurisdiction over the through rates, covers the situation?

MR. BIRON: Well, it may; I am not too familiar with the interpretation of the Railway Act in that sense, and that probably is far flung because I believe that the rail lines at the moment can justifiably add a certain portion for their short runs. I think that is recognized.

MR. MANN: Have you ever, or others in your group, taken this matter up with the Quebec Central or the Canadian Pacific?

MR. BIRON: There have been many local

problems arising from this, and I am sure that Quebec Central has been approached individually but we haven't at the moment presented anything to Quebec Central on this matter because we feel that this Commission would look after it.

MR. MANN: I have one or two more questions, and then I think I am through. Does the present situation, because of these arbitraries, encourage trucking to the Canadian National and Canadian Pacific?

MR. BIRON: Yes, it does. I would like to point out that there are many receivers in the area that now are railing traffic to points adjacent to the Quebec Central and using their own transportation, their own trucks or hired trucks to receive this traffic on the Canadian National, and they find that they can save as much as $100 on a car. That is certain commodities such as plywood from Vancouver where the rates of Quebec Central are much higher than on the Canadian National.

MR. MANN: Then, I think you mentioned - and again I have to throw myself on your mercy there - you mentioned I believe that that resulted in a revenue loss to Quebec Central?

MR. BIRON: It certainly does, it reflects on their earnings because much of this traffic is being diverted to other transport and I believe they are certainly losing a lot of their earnings.

MR. MANN: That covers the situation where you rail something to the junction point, so

actually Canadian Pacific still gets some revenue to the junction point anyway?

MR. BIRON: Yes.

MR. MANN: What happens however, say, on traffic from Montreal to Thetford Mines; do you think that the present situation encourages through trucking from Montreal to Thetford Mines and therefore gives to trucks something which, say, for the rate reason alone, the railways could carry?

MR. BIRON: Yes. For instance, many of the receivers would haul in less than carload basis , or express, and with the less carload rates and not give door to door delivery, which is something where the truckers have an advantage, but over and above that the truckers rates in the Thetford area generally speaking are low and flexible, and the service is so flexible the rail lines can't meet this competition at all.

MR. MANN: Do you get a pick-up and delivery service on a shipment rate on Canadian Pacific from Quebec to Thetford Mines?

MR. BIRON: There is a pick-up and delivery rate published, but it doesn't apply for door delivery; it is in the City of Thetford Mines. If you have a shipment coming in on the P. & D. you still have to go to the station and pick it up. They don't give any local delivery service, although they give you the rate.

MR. MANN: Is that because Quebec Central doesn't operate cartage vehicles at Thetford Mines?

MR. BIRON: That could be the case.

THE CHAIRMAN: And now, do any counsel wish to ask any questions of this witness?

MR. BIRON: I would like to ask this question; on this particular case here, if we wish to present a brief would it have to be within a certain time?

THE CHAIRMAN: No, we wouldn't place any special limitation, but it should be ready in a reasonable time.

MR. BIRON: Have you any dates set in Ottawa?

THE CHAIRMAN: No, not for this type of brief at this time.

MR. BIRON: Will we be hearing from the Commission on that?

THE CHAIRMAN: Yes.

MR. BIRON: Thank you, sir.

MR. BERTRAND: Mr. Chairman and Commissioners, one of the members on our committee has brought up the question as to whether in a discussion of the railway crossings in the City and in the Municipalities covered by our region, if such discussions would be within your jurisdiction?

THE CHAIRMAN: I think we would be going into the position of trespassing upon the jurisdiction of the Board of Transport Commissioners in that regard, and our approach is rather more economic than that. However, if somebody were to

make some representations it might be all right having those limitations in mind. Our reference doesn't authorize us to trespass upon the Board of Transport Commissioners.

MR. BERTRAND: You will understand the purpose of asking this question is really not to start working on something and then later be told that you are sorry, that this is really not for you but for another board.

THE CHAIRMAN: Well, you may go ahead on the basis that we will hear it if you want to have something included in the brief about it. We will not prohibit it.

MR. BERTRAND: Thank you. Now once again as to later hearings, we have been told that they will probably all be held in Ottawa; is that a definite decision?

THE CHAIRMAN: Well, we would like to concentrate as much as we can in Ottawa after these regional hearings here, and if your organization can possibly arrange to have it presented at Ottawa, it would be very helpful to us.

MR. BERTRAND: That would be appreciated by the Commission?

THE CHAIRMAN: Yes.

MR. BERTRAND: I suppose that many organizations throughout Canada will be awaiting the presentation of the briefs by the Canadian Pacific Railway and the Canadian National Railway, which we understand will be presented sometime in

late December.

THE CHAIRMAN: Well now, the railways part of the presentation will be early in December, the 4th of December, if we can arrange it at Ottawa.

MR. BERTRAND: Which then will lead us to believe you will expect us to appear before you not later than March, I suppose?

THE CHAIRMAN: Well, I can't answer that exactly, but I would hope that that would be the case, yes. However, you will get notice of it.

MR. BERTRAND: Thank you very much.

THE CHAIRMAN: Now are there some other presentations here?

MR. BARRY: My brief was prepared in French and I understand there is no objection?

THE CHAIRMAN: I don't know of any opposition, but we are somewhat handicapped at this time in that the French reporter who was to have been here apparently is ill, or something, but it doesn't matter. We can have a translation made and forwarded to you later.

Brief of the Quebec Lumber Manufacturers' Association.

Whereas it is understood that the revenues which are derived from the transportation of grain by the railways are diminished, because of the preferential Crow's Nest Pass rates, to the extent that the rail traffic operates at a deficit;

Whereas the revenues which come from the transportation by the railways of merchandise originating from the Maritime Provinces are diminished because of the Maritime Freight Rates Act, to the extent that the rail traffic operates at a deficit;

Whereas the railway companies are obliged to increase the tariffs in other places and/or for other merchandies, in order to obtain the necessary funds to operate the railway system efficiently;

Whereas the transportation of lumber represents a large percentage of the total volume of merchandise shipped by rail in the province of Quebec;

Whereas the lumber business which is a source of income for many thousands of persons is greatly increased by the costs of transportation;

It is recommended that the deficit sustained by the transportation of these subsidized goods enjoying the preferential rates mentioned above be helped by further subsidies from the Federal Treasury;

It is recommended that the freight rates for the transportation of lumber in the province of Quebec be exempt from the surcharges made necessary by the transportation of certain merchandise on a deficit basis;

It is further recommended that the tariffs for the transportation by rail of lumber be established and guaranteed for a period of at least six months, since it is known that the lumber business

operates on a cycle which varies in time between six months and a year, in order to place it on a stable footing.

It is further recommended that in the case of branch lines which operate toward a dead end, that the tariffs remain the same to the end of the line, when the distance from the point where the tariff changes to the end of the line does not exceed 20% of the average distance of the tariff zones.

THE CHAIRMAN: Are there any more presentations?

MR. SINCLAIR: Mr. Chairman, the last witness made some reference to the fact that the railways revenues were diminished on account of the Crow's Nest rates, and in view of the interest he shows we will see that he gets a copy of our submissions in that regard and we will undertake to send it to him.

THE CHAIRMAN: Thank you very much, Mr. Sinclair.

Mr. Hume, did you wish to make any presentation at this time?

MR. HUME: Mr. Chairman, I explained to the Commission at the preliminary hearing at Ottawa that so far as the Canadian Trucking Association were concerned that they would be presenting regional witnesses at the hearings, and my instructions were that this was so except, perhaps, with the one exception of Quebec, for

reasons which have not been made quite clear to me, but I am told that unfortunately the gentleman who will be appearing representing Quebec would prefer to make his few remarks in Ottawa, but as to the other ones, I think they will be on hand, but I have nothing to present today.

THE CHAIRMAN: Will there be a presentation in connection with trucking interests in Montreal?

MR. HUME: No sir; these two hearings being in the Province of Quebec, that is the one exception which I mentioned at the opening. There will be presentations in the Maritimes and in Western Canada, but it will be made in Ottawa sometime later on in February.

THE CHAIRMAN: Can anybody think of any good reason why we shouldn't adjourn?

MR. COOPER: For the purposes of the record, I would like to read over the Exhibits that have been filed today. In addition to Exhibit 1, which was the Order-in-Council and which was already filed at the previous hearing, we have Exhibit number 2, which is the submission of the Bureau of Industrial Trade of Greater Quebec; Exhibit 3 is the Thetford Mines Chamber of Commerce submission, and 3a is the attachment thereto. Exhibit 4 will be the submission of the Quebec Lumbering Manufacturing Association.

MR. DROUIN: I am appearing for the Government of the Province of Quebec, who will probably present a brief and make a submission

sometime in December when this Board feels the time is appropriate.

MR. HUME: May I speak to something that was a bit of a problem on the Regional Hearings. It is somewhat difficult for those counsel who will be following the hearings, the counsel representing the railways and others to cope with the applications of a regional nature if we don't have some sort of an advance copy, and I was wondering whether or not I should draw to the Commission's attention the desirability of as far as possible warning the people who are about to appear at the Regional Hearings if they could have sufficient copies not only to satisfy the Commission's requirements but an additional four or five to be made available to counsel following the Regional Hearings, and it will be of great assistance in speeding up the hearings in the respective capital cities.

THE CHAIRMAN: What provisions are you making in that connection?

MR. ANDERSON: In accordance with your instructions we are asking that intention to submit a brief will be given to us fifteen days in advance and that twenty-five copies of the brief accompany it. In view of the short time for preparation we knew that would not be possible in Quebec and Montreal.

THE CHAIRMAN: Well then, this meeting will be adjourned now until tomorrow morning when

we will meet at the International Aviation Building at 10.00 o'clock in Montreal.

---Whereupon the hearing adjourned at 3.00 p.m.

ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

MONTREAL

VOLUME No.:
2

DATE:
Oct. 23, 1959.

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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held in the International Civil Aeronautics Building at Montreal, Quebec on the 23rd day of October, 1959, at 10:00 a.m.

COMMISSION

Honourable C. P. McTague, Q.C.	Chairman
Mr. H. Anscomb	Member
Mr. A. H. Balch	Member
Mr. R. Gobeil	Member
Mr. M. A. MacPherson	Member
Mr. H. Mann	Member
Mr. A. Platt	Member

COMMISSION COUNSEL

Mr. A. G. Cooper, Q.C.

Mr. G. S. Cumming

Mr. F. W. Anderson	Secretary
Major N. Lafrance	Assistant Secretary

Mr. M. A. MacPherson was absent.

THE CHAIRMAN: Gentlemen, I have a list of the following appearances; Mr. Brock Clarke, Counsel for Clarke Steamships, and Mr. Michael Awada, Counsel for Canadian Granite Industries, and then it was indicated that the Quebec Packing Association might have some presentation, but yesterday in Quebec it was indicated that they would wait until the sittings in Ottawa and I don't know if anybody is representing them here or not.

Then, are there presentations to be made? Then, may I call on Mr. Clarke.

MR. BROCK CLARKE: Mr. Chairman, I first of all wish to apologize for the fact that we have not yet presented to the Commissioners a written brief, but that was due to the shortage of time available from the time that we heard the sittings were going to take place in Montreal at this early date and the time of the hearing.

However, I have had some discussion with the Secretary of the Commission, Mr. Anderson, and it was his suggestion that we should make our presentation, which we are prepared to do, and request permission to file a written brief following the presentation which would incorporate the material which is presented to the Commission.

I have with me the President of the Company, Mr. Stanley Clarke, and the Assistant

Traffic Manager, Mr. Hutchinson.

It is my suggestion that you would rather hear from the people who are actually carrying out the operations, and that Mr. Stanley Clarke actually presents the information to the Commission.

Perhaps before calling on Mr. Clarke, I have here a map of the Gulf of St. Lawrence, which I am sure you are familiar with, which may be helpful in following the remarks which are made before the Commission. Perhaps I should file this map as an Exhibit.

I will call on Mr. Stanley Clarke now.

MR. STANLEY CLARKE: Mr. Chairman and Commissioners, Clarke Steamship in conjunction with Associated Companies carries out several coastal steamship services in the Gulf of St. Lawrence and the River St. Lawrence. These services are mainly carried out in the name of Clarke Steamship, which is the managing operator of the service, but they may be carried out on behalf of various other companies which are connected and associated for fiscal reasons. These are such things as having one shipping company for limitation of liability, having outside interests interested in certain of these specific services, etc.

In this particular submission, we are particularly concerned with the services to and from Newfoundland. You will note from looking

at this chart that we also have service along the south and the north shore of the St. Lawrence to the Magdalen Islands and a service from Pictou to the Magdalen Islands, and in other places, but here we are principally concerned with the ones shown there from Montreal to Corner Brook and St. Johns and Bay Roberts, etc.

The service given by this company to Newfoundland comprises a weekly service from Montreal to Corner Brook from about April 15 to the 1st of December, and this is carried out with two vessels. We also carry out a service from Montreal to St. Johns on a weekly basis with three ships, from April 15 to December 1st of each year. This service also calls in at Bay Roberts and St. Lawrence, and carries return cargoes to St. Lawrence and to Port Alfred.

Also, due to the Gulf being frozen, in the wintertime we carry out a winter service from December 1st to April 15 from Halifax and Saint John, New Brunswick to St. John's, Newfoundland. These are not indicated by dotted lines as they are only winter service.

The cargo carried east bound consists of package freight, and there is very little return cargo of this category. Bulk cargoes are obtained and in the case of service to Corner Brook, this consists of gypsum board. I think I already mentioned that fluorspar is shipped from St. Lawrence to Port Alfred and this is a bulk

commodity, and also stop in at the Maritime ports for gypsum. The return cargoes are carried at rates which are favourable to the shippers.

Now, I would like to indicate the magnitude of the tonnages carried to these Newfoundland ports. In our brief we will submit figures for 1956, 1957 and 1958, but I will just read out the 1958 figures today from Montreal to Corner Brook, it is 26,300; from Montreal to St. John's 42,500 tons, and from Halifax or Saint John, New Brunswick, to St. John's Newfoundland, in the winter, 9,700 tons, making a total of 78,500 for 1958. The total for 1956 and 1957 were in the region of 80,000 tons, but it is pretty steady.

Clarke Steamship has been operating regular steamship service in this area or to Newfoundland - we have been operating in this area since 1921 and to Newfoundland since 1925, when it commenced its service to Corner Brook.

With regard to the rate structure, I would like to say a few words on that. Prior to 1949 Steamship Companies operating to Newfoundland published a regular steamship tariff which took into consideration the nature of the cargo to be shipped, volume, distances involved, time and labour, cost of handling, storage, type of packing, etc. Steamship tariffs are not exactly in the same line as railway tariffs due to the difference in the type of handling, and in addition to that I might mention that we have always carried our

cargoes to Newfoundland on a weight basis, not on weight and measurement as is done in ocean shipping.

At that time, the railways on the mainland had in existence special furtherance rail rates from inland points to seaboard ports such as Montreal, Saint John, New Brunswick, Halifax and North Sydney applicable on traffic for furtherance to Newfoundland, but otherwise the rates were entirely separate and apart from the steamship rates from such seaboard ports to destination in Newfoundland.

As is usual in steamship operations, marine insurance was not included in the rate and was covered by the shippers themselves.

On April 1, 1949, Newfoundland became a province of Canada and the Canadian National Railways on direction from the Federal Government projected their mainland tariff to include the new province based upon formulae already in existence in respect to other provinces of Canada.

This has brought into existence an entirely new pattern of rate structure which caused the steamship companies to abandon their regular steamship tariffs, and in order to remain competitive set up a new tariff structure which would conform to the new pattern based along railway rates.

New steamship rates based along the lines of railway tariff lead to closer co-operation with

the railways in an endeavour to use the best features of rail and water transportation. These steamship companies and the railways negotiated through rate agreements applicable on cargoes destined to Corner Brook and to St. John's Newfoundland and these agreements simply provided for participation by steamship companies in traffic which must originate by rail, and a division of the through rate by the carriers involved, on a basis sufficient to enable the steamship companies to maintain adequate services to handle the traffic for Newfoundland.

The through rate agreement with the railways brought substantial benefits to shippers and consignees. The cost of freight handling at the trans-shipment points was included in the rate. This also included top wharfage checkers at loading point whereas previously this was charged additionally in the terminal's charge.

Top wharfage and destination was likewise absorbed, whereas previously it was charged additionally. They then had a rate that included everything.

Marine insurance on all shipments is now effected by the steamship company, whereas prior to Confederation marine insurance was effected by the shippers and consignees had to pay this cost as the normal practice in steamship services.

Local rail bills of lading issued by

shippers at inland points of origin now cover shipments through to destination. In other words, you used to have a separate bill of lading when you loaded the cargo in Montreal or at these other ports, and now the railway bill carries the cargo right through.

In addition to that, through rates can now be quoted from any point on the mainland to Corner Brook and St. John's Newfoundland; whereas previously it was necessary to obtain rail rates to seaboard and railway terminal charges, and obtain the steamship rates from seaboard to Newfoundland.

The through rate agreements with the railroads has led to the publishing of rates which reflect to the shipping clients the most economical transport cost of combining rail and water, commensurate with services received and the division of these rates between the carriers, provides the maximum compensation for services utilized.

I would like to draw attention to, and outline, our position insofar as we are trying to bring it forward to this Commission today. The basic problem which we would like to place before the Commission is the question of what measures can be taken to facilitate the carriage of goods at the lowest possible rates and still permit the carriers to make sufficient revenues so that they will be able to carry out a proper service,

and to effect improvements in such service from time to time. This problem is of particular interest and importance in respect of the carriage of goods to and from Newfoundland, as it is an island situated at one of the extremeties of Canada and is dependent on central Canada imports for most of the necessities of life.

In order to carry out the spirit and intent of the terms of union between Canada and Newfoundland, goods must be carried between points in Newfoundland and other parts of Canada at rates which are comparable to rates generally charged in other regions of Canada, and this should be accomplished by utilizing the most economical means of transportation.

As already explained, the rates which may be charged by water carriers are limited by the rates charged by rail carriers, and historically water rates have been a little below the railways' rates, in order to compensate shippers for their goods being delivered on the dock rather than at the railway siding or station.

In order to enable the C.N.R. to carry freight at the rates quoted in their tariff, the C.N.R. receive the following assistance; it receives a special subsidy for the transportation of goods as well as passengers and automobiles between Sydney, Nova Scotia and Port-aux-Basques. In other words, there had been many different applications before the Board of Transport

Commissioners regarding the rates to Newfoundland, and the distance between Sydney and Port-aux-Basques and the cost of loading and discharging cargo and moving it across there by ship were regarded to be additional expenses so far as the C.N.R. was concerned, and to compensate it for these extra costs they received a special subsidy, which was a disbursement by the Canadian Government, and in the fiscal years ending March 31st the following amounts have been expended -- 1955, $2,200,000; 1956, $2,400,000; 1957, $5,400,000; and in 1958, $6,000,000.

These figures which I have just quoted did not include an provision for capital costs in providing the additional facilities which have been built at Port-aux-Basques and at other places since Confederation.

THE CHAIRMAN: What was the last figure?

MR. S. CLARKE: $6,000,000. in 1958. Those are the operating losses, or the subsidy to help that service and they do not include the capital expenditures, as I said, which were made on the docks at both points, and on ships such as the William Carson which is used on the service and which has been paid for completely out of other funds. To the best of our knowledge it would appear that these capital expenditures have amounted to about $21,000,000. since the union of Newfoundland with Canada in 1949. What we are trying to say is that in addition to

the $6,000,000. you should add the capital charges for interest and depreciation in order to get at the true cost of that to the Canadian Government.

Secondly, assistance under the provisions of the Maritime freight rates; insofar as we are concerned, this affects our competitive position with respect to cargoes being carried from Newfoundland to the main land, and cargoes on the winter service operating from Halifax and Saint John, New Brunswick, or, in other words, cargoes moving out of the Maritime area. It does not affect our position with regard to movements from Montreal to St. John's.

Thirdly, there is the special subsidy now being received by the C.N.R. along with other Canadian railways under the freight rates reduction of 1959. The effect of this latter subsidy was to reduce the rate increases previously pointed out earlier from a 17% increase to about a 10% increase, thus reducing the rates by about 6½%. Water transport must be competitive with railway rates, and this has meant that the steamship revenues on all-water shipments have been lower than would otherwise have been the case by a comparable proportion.

In other words, if rates had gone up 17% our rates should have gone up 17%, and we would have had to compete with the railways somewhere in that region. However, the railways

have only increased their actual rate by 10%, which is all we can do, but they have received the other 7% out of other revenues given them by the Canadian Government.

In addition to the foregoing direct assistance we believe that the C.N.R. has incurred substantial losses through the operation of the Newfoundland portion of their line, and, if this is correct, transportation in that area is being indirectly subsidized by other more lucrative services of the C.N.R., or, alternatively, by the payments, by the Canadian Government of the C.N.R.'s deficits in those years in which deficits occur.

In the absence of any "special assistance" of the type referred to above, we feel that the most economical way of transporting goods from Montreal and points west of Montreal to points in Newfoundland, particularly goods destined to the ports of Corner Brook and St. John's and vicinity, is by water or a combination of rail carriage to Montreal and then by water. In this regard it should be noted that any shipments carried to Newfoundland entirely by the railway must, of course, be unloaded from standard rail cars at North Sydney, loaded aboard a vessel at that port, carried across the Cabot Straits, then unloaded from the vessel at Port-aux-Basques and loaded on to the smaller cars which are used on the smaller gauge railway in Newfoundland.

Therefore, we submit that assistance should not be given to the railways, by subsidy or otherwise, to the exclusion of water carriers, to such an extent that the water carriers are unable to compete and are driven out of business.

In other words, we feel that in view of the fact that the cargo has to be loaded and unloaded, and so on, at Port-aux-Basques the most economical means of transportation, if you come back to the cost factor, would be to have the traffic move by rail to Montreal, and by water from there on.

If the railway does get assistance then that assiatance will tend to overcome the economic advantage of the water transportation to such an extent that if the assistance is sufficient the water carriers will not be able to carry on and will go out of business, and we will not then be using the most economic means of transportation in Canada.

In order to support that stand we should also mention that during the past few years many water carriers have actually got out of the service, and the remaining carriers are operating under marginal conditions. In actual fact, there are seven carriers which have stopped service to Newfoundland since the end of World War II, all or which operated to St. John's, with the exception of one which operated to Corner Brook. Most of these water carriers -- the present ones

in operation -- are using older vessels which have been depreciated and revenues are insufficient to enable them to make provision for replacement by newer ships. New ships on the service could not be made to operate economically if you take into account the amortization charges. The ships we have on the run are ships we purchased after the war below their actual cost of building. They were costly enough, but they did not cost us as much as they would have cost us if we had to buy them new. They were used ships at that time. We made extensive modifications on them, and those ships in the interim have now become depreciated, and this is what enables us to carry on and to stay in business. However, we have to look forward to the replacement of these ships, and we think that a modern vessel bought for that service could not be operated without incurring a loss after provision for financing charges and amortization.

We submit that goods should be channelled and routed in such a manner as to be carried by the most economical means. It seems to us that as many goods as possible, particularly goods originating west of Montreal, should be routed and carried by the rail-water route.

Further, we urge that public funds should not be expended for the expansion of facilities, for instance, at North Sydney and

Port-aux-Basques when the requirements could be handled by using existing facilities and services without incurring any such expense. Minimum facilities and services should be provided at Port-aux-Basques and Sydney which are required for the handling of passengers, automobiles and a portion of the freight, but a great deal of the freight which is being handled now over this route could be handled by other facilities with consequent savings to the Canadian Treasury and to the railways.

As a matter of fact, a great deal has been done to improve the facilities at Port-aux-Basques and Sydney -- the $21,000,000. and the provision of vessels for the carriage of passengers, automobiles and freight between these ports, during the ten years since the union of Newfoundland with Canada, but it is submitted that these facilities should not be further enlarged without careful examination as to whether goods could be carried by other means without incurring additional expense.

I think that even here we are not saying there should not be any help given if it is considered that there should be a subsidy on movements to Newfoundland. If that is required we think that Newfoundland should get, as we said previously, rates which are commensurate with those of the rest of Canada. Probably

they do need help having regard to their being at the extremity of Canada, but we do submit that all types of transportation should be considered and that the most economical means should be used, and if some assistance is needed such as this latest $20,000,000. subsidy to reduce rates then what the water carriers do, in their operation should be considered, and everybody should be put on a competitive basis.

THE CHAIRMAN: You mean that you are looking for equitable distribution?

MR. S. CLARKE: Yes, equitable distribution. If it is necessary to grant such amounts, our conclusions are the following:

1. That any new subsidies granted to the railways either in general or for the particular service to Newfoundland should be extended and made available on some reasonable basis, to water carriers carrying on regular liner services to Newfoundland. By "regular liner services" we mean the coastal line services that have a published schedule and which operate in the same way as the railway freight services do; we are not referring to the odd tramp that comes in and grabs a cargo.

2. That consideration should be given to the measures to be taken to direct or make recommendations to the railways to use the most economical means for the furtherance and carriage of cargo originating west of Montreal

and bound for points in Newfoundland, particularly Corner Brook, St. John's and vicinity, and to route such cargo to water carriers as could easily be done under existing arrangements.

In other words, we explained that now there is an arrangement, a through rate arrangement and procedure set up for the routing of this cargo and a lot of it is being routed that way. It should be noted that if this were done it would tend to reduce traffic passing through Sydney and Port-aux-Basques, and direct assistance would be required from the Canadian Government in this regard; and it would also insure that facilities at these ports would be adequate for some years to come.

That is the purpose of our submission, Mr. Chairman.

THE CHAIRMAN: Is there any Counsel, other than Commission Counsel, who wish to ask Mr. Clarke any questions?

MR. MAURO: Mr. Chairman, I am Mauro from the Province of Manitoba, and I would like to ask Mr. Clarke a few questions.

MR. CLARKE: Would you excuse me for a second, please? I am familiar with the general operations of these services and so on; however, if a question comes up with regard to rates or some specific thing of that nature, and I think Mr. Hutchinson can answer more clearly, would it be in order for me to have him do so?

MR. CHAIRMAN: Yes, but in the meantime, Mr. Mauro wishes to ask you a question.

MR. MAURO: Mr. Clarke, I wonder if you would tell us whether the through rates that are in effect reflect the percentage or portion of the various methods of carriage? In other words, if there is a rate from a port west of Montreal to Corner Brook - if the rail carriage is say three hundred miles and the ocean carriage is nine hundred miles, would that through rate reflect?

MR. CLARKE: No, What you have in effect asked me is this: If you are going to ship from a point inside of Canada to Corner Brook or Saint John and if the rail rate is a certain amount - that is the agreed rate - the rail and water is the same amount. This is one rate, say, from Toronto to Corner Brook, whether rail, or water and rail.

You have in effect asked me if the rail rate is longer than water and rail, would the rail and water be a lower rate than the all rail rate, which may be longer on a mileage basis?

MR. MAURO: No. You have told us the cost involved in a movement by water, as we all know, is less than a movement by rail. Therefore, my question was: In the through rate, made up of a combination of rail and water, in that carriage.---

MR. CLARKE: It should be lower. In actual fact the rail and water rate from inland points is the same as the all rail rate. The water rate from points where water shipment originates is lower than the all rail rate. For instance, the rate from Ottawa to St. John's is the same as if it went all rail; but from water points it is lower - from Montreal, for instance, it is lower than the all rail rate. You have to remember, when you say it is cheaper to move by sea, that the railways are getting these subsidies that we have been talking about.

MR. MAURO: Yes.

MR. CLARKE: And at the present time what we have to do is this: We are able to keep the operation with the equipment we have, but we have to replace that equipment. Even though our operations are cheaper through rail subsidies, we would not be that much cheaper so that we could reduce rates. Right now with the rates we are just about able to carry on.

MR. MAURO: If a shipper in Winnipeg wanted to ship to Newfoundland, he would just get the rail rate?

MR. CLARKE: Yes.

MR. MAURO: It would be no benefit for him to ship to Montreal and thence by water to Corner Brook.

MR. CLARKE: That is right. Looking at the overall Canadian economy, every time goods

go by rail it costs the Canadian taxpayer some money; that is to say, although it costs the shipper something, it also costs the taxpayer something. The shipping part of that service does not cost the taxpayer anything, but the rail part of it does.

MR. MAURO: Thank you.

MR. FRAWLEY: Mr. Clarke, are your operations regulated in any way by the Board of Transport Commissioners.

MR. CLARKE: They are not regulated at the present time; the Board of Transport Commissioners operate as far as the Ile d'Orleans.

MR. FRAWLEY: When you say the rate from Ottawa to Corner Brook would be the same as the all rail rate, that is just a matter of agreement between yourself and the Canadian National Railways.

MR. CLARKE: Between ourselves and both railways. We have agreements with the Canadian National and the Canadian Pacific.

MR. FRAWLEY: And those agreements are not filed with or approved by the Transport Board.

MR. CLARKE: They must be filed - that I don't know.

MR. McCOY: No.

MR. FRAWLEY: Mr. McCoy says they are not filed with the Board. You call it an agreed rate, that is as agreed between yourself and the two railways.

MR. CLARKE: That is correct.

MR. CHAIRMAN: Any other Counsel wishes to question Mr. Clarke? Mr. Cooper?

MR. COOPER: One question, Mr. Chairman. Do the water carriers get any government assistance now directly or indirectly by way of a subsidy, or otherwise, if you can answer that question.

MR. CLARKE: There are subsidized services in Canada, but these particular services are entirely non-subsidized, and operate on an ordinary commercial basis - that is the services we are talking about to Newfoundland.

MR. COOPER: I understand. I don't know that I quite followed your first conclusion, but as I had it, you are asking that any new subsidy be extended to water carriers.

MR. CLARKE: That is correct. We did not say to all water carriers. We were particularly concerned with the operation to Newfoundland from Montreal, and we are concerned with the liner service, which is our regular service operated on this schedule with published tariffs.

MR. COOPER: Where are these liner services operated from?

MR. CLARKE: The ones we are concerned with are from Montreal to Corner Brook, and from Montreal to St. John's, Newfoundland.

MR. COOPER: When I spoke a moment ago

of any new subsidy to be extended to water carriers, I understood that it was only as to shipments by Clarke's?

MR. CLARKE: No, it would not be only in respect to Clarke's. It would be in respect to any regular line or service to Newfoundland. You said to water carriers?

MR. COOPER: Yes.

MR. CLARKE: We don't want to start talking about water carriers to England or the United States.

MR. COOPER: I understand.

MR. CLARKE: The two or three lines operating that should be treated in the same way.

THE CHAIRMAN: You just wanted to leave out the tramps.

MR. CLARKE: I said the tramps are unable to be considered; and they are not regulated and they don't publish a tariff; they are not on regular service.

MR. COOPER: These seven carriers that have gone out of business, have they been in business for any length of time, or have they been in and out of business.

MR. CLARKE: I know the carriers that went out of business; I don't know how long they were in business. There were a couple that went out in the last few years, that only operated continuously five or six years. In other words, they operated long enough to know what the operations

were and to bring up the service, if it is possible to do so.

The reason we brought this out was to show that the operation is a marginal one - that is what we have been trying to say - and the operators have fallen by the wayside.

MR. DROUIN: Mr. Clarke, do you get any subsidies from the Quebec government, and if so to what do they apply?

MR. CLARKE: Clarke's Steamships get subsidies from the Quebec government for some of its services.

MR. DROUIN: Which ones?

MR. CLARKE: They operate from Montreal on the North Shore to ports between Forestville and Blanc Sablon; that is one of the services along the north shore. And another service from Montreal along the Gaspe coast to Magdalen Islands. Their services are entirely within the province, and their subsidies are given to the steamship operations because it is felt that otherwise the rates charged would be much too high, and there are no other adequate means of transportation to that area. The cost of that kind of operation may also be high because the volume is not big enough or because it originates in a number of small ports where there are inadequate facilities, etc., which is a special type of problem. But there are no subsidies on the service that we are now

talking about to Newfoundland.

MR. DROUIN: I was referring to the North Shore.

MR. CLARKE: North Shore, yes.

MR. DROUIN: Are you the only company to receive subsidies from the Quebec government, to your knowledge?

MR. CLARKE: To my knowledge we are not the only ones. I haven't got a list of the others, but they are available in the government --

MR. DROUIN: They are statutory?

MR. CLARKE: Yes, statutory. There are at least a couple of others that I know of. I don't remember the amounts, and I wouldn't know exactly the name of the companies, but I know that there are subsidies other than our own for service in the province of Quebec.

THE CHAIRMAN: You are finished, Mr. Drouin?

MR. DROUIN: Thank you, Mr. Chairman.

THE CHAIRMAN: Mr. Mann would like to ask some questions.

MR. MANN: Mr. Clarke, we are very much indebted to you for the submission of your Company. It is perhaps a submission in advance of what we might hear in Newfoundland. There are few questions I wish to ask, mainly for clarification.

In the early part of your submission,

I merely note that you referred to these "for furtherance rates", and I believe you left the impression that these "for furtherance rates" are no longer in existence.

MR. CLARKE: That is correct. Do you see, normally cargo for export is carried on an export rate, and for some reason they call the one to Newfoundland a "furtherance rate" which is really an export rate. With the union of Newfoundland with Canada, those rates no longer exist.

MR. MANN: I am sorry to disagree with you, Mr. Clarke, and I hope you will forgive me, but there are to my knowledge still "for furtherance rates".

MR. CLARKE: To Newfoundland?

MR. MANN: Yes.

MR. CLARKE: I don't know that.

MR. MANN: They may be rather minor in importance today, but they still exist.

MR. CLARKE: Or maybe they are on restricted group of commodities.

MR. MANN: No, not restricted at all, but to a minor point. I just wanted to say for clarification that they still exist.

Now, you referred to the division you receive from the railway. Are you on the whole satisfied with those divisions?

MR. CLARKE: We are satisfied with our arrangements with the railways. I hope

that nothing I have said will be taken to indicate that we have a quarrel with the Canadian National Railway. They are the ones who are moving goods that go to Newfoundland. But we have an agreement with both the C.N.R. and C.P.R. and we are satisfied with the divisions and arrangements. There is more than the division of rates, there is mutual co-operation in seeing that cargo is properly handled, and I think we are very satisfied with our dealings with the railway in both those respects.

MR. MANN: The route between Port-aux-Basques and North Sydney, the traffic via that line of communication is, of course, as we all know, in consequence of Term 31 of the Terms of Union with Newfoundland. It is a requirement of the Terms of Union.

MR. CLARKE: Yes.

MR. MANN: I just wanted to bring that point out.

MR. CLARKE: Yes.

MR. MANN: To some extent one would assume that is a minimum amount of service - and I think you suggested that must be carried on under the Terms of Union.

MR. CLARKE: That is correct. We feel that there has to be a minimum amount of service, and we also feel that probably if other means are not used to carry the goods, they will all have to be carried by that route, but it would

cost a lot more money. In other words if the $20,000,000. subsidy was increased more, and we were unable to increase our rates and had to go out of business, that burden would all fall on the railways, which might mean considerable increase in facilities and considerably more cost to the Canadian government.

MR. MANN: Now, you just mentioned the $20,000,000. subsidy which became effective on August 1st, and that is the subject of my next question. The $20,000,000. subsidy, of course, only applies on traffic which is non-competitive; generally speaking, class and non-competitive commodity rates. Now, the rates to Newfoundland, what class would they be in, would they come under the subsidy or are they classed as competitive class rates?

Just to clarify this, and this is Mr. Hutchinson's information, the rates shown in C.N.R. tariff C89, for instance, are they subsidized?

MR. HUTCHINSON: They wouldn't be subsidized on a competitive basis in certain sections of the country in summer months, but they would be subsidized from, say, December 1st on to April 15. The authorities can correct me there.

MR. MANN: I think we were very interested in the ideas of your company about the most economical routing of traffic. Now,

I just have a couple of questions about that; in your service to Newfoundland do you have any packing restrictions or any prohibitions on goods you will not carry?

MR. CLARKE: There are packing restrictions, but they are the same as what the railways enforce to Newfoundland.

MR. MANN: So that actually in some cases would it be correct to say that someone, either the consignor to Newfoundland or the consignee in Newfoundland must pay a little more because of the better grade of packing required; would that be correct?

MR. CLARKE: Well no, because there is no better packing required from, say, Montreal, and I would tender a guess that it would require less packing to ship from Montreal than it would to handle - in other words - the goods have to be handled by ship and loaded and unloaded anyway, and I would think that there is because of the type of ships, larger vessels, and so on, that there is probably, if anything, less damage likely to occur on direct shipments from Montreal.

MR. MANN: Perhaps I didn't make myself clear. Comparing the consignor to Newfoundland and the consignee in Newfoundland with your consignor-consignee movement on the mainland of Canada, would there be extra costs that accrue to someone because of these more stringent packing requirements?

MR. CLARKE: Yes, I would say that if the people of Newfoundland or the shipper or the consignee wants to get his goods and make sure they get there in good shape, he will probably pack them better knowing that it is going to Newfoundland, and we urge them to pack them better. That is one cost that is more, and probably due to the fact that it is a water shipment and if the goods were not packed well then they are restricted in claims made against the carrier, which may be the railway or ourselves, and these claims must ultimately be paid for in the rates, so there is extra costs there somewhere.

MR. MANN: Those extra costs are inherent in any present method, either the method you suggest or the method operating now?

MR. CLARKE: That is right.

MR. MANN: That would be, perhaps, avoided if a through container service were available to Newfoundland?

MR. CLARKE: That would certainly reduce the amount of packing required and probably reduce the damage. I don't know whether you are interested in that, but we have made studies of container operations from Montreal to St. John's, and our studies don't indicate that these are economically feasible - I am talking about on a straight profit and loss basis - comparable to the present methods of

carrying the goods. I indicated that a new vessel couldn't make out to pay its cost, but if you take the cost per ton by the present ships, by a new modern vessel, and by a container vessel, the container vessel is considerably higher. The only way you could overcome that is when containerization gets to the point where it is being carried by trucks with the amount of containers, and then the commodity is moved from the truck to the rail siding and on to a flat car and from a flat car on to the ship. In other words, the same container going all through, and then economies would be realized on the through shipments which might enable the container service to work out, but our figures at the moment don't indicate that would work out, and the applicable charges would be very considerable. The containers needed on a service like that might amount to as much as the ship.

MR. MANN: Now, there are two more questions. You mentioned a number of water carriers that were in the service and had given up. Could you give us an indication of the number of water carriers and from, say, Toronto or Montreal that operate in the summer to Newfoundland.

MR. CLARKE: Well, from Toronto and Hamilton there is Newfoundland Great Lakes, that is one carrier, and from Montreal there is our-

then there is service, of course, from Halifax, but from this area we are now down to three, let us say, and there were as many as five at one time in the operation.

MR. MANN: Going back to this suggestion you made, I think we agree under the terms of union that there must always be a minimum service between North Sydney and Port-aux-Basques; have you any suggestion as to how the traffic to Newfoundland should be divided? What I had in mind, perhaps, is it in your mind that traffic confined to the West Coast of Newfoundland or to Corner Brook, or up the west coast, or perhaps in as far as Miller Point Junction should be handled through North Sydney, and the traffic to the peninsula and back on the rail line should be handled through direct service to St. John's; is that what you had in mind?

MR. CLARKE: We had in mind first of all that all cargo east of Montreal should be carried by the railways because it would be back hauling it to Montreal, so that obviously that has to go through Port-aux-Basques and come to where it is going on the Island, and cargo which is not destined for Corner Brook or St. John's - Corner Brook is on the west coast - cargo not destined for these points or where the ships go to Bay Roberts or in the immediate vicinity, should probably go by rail

because it would have to be loaded in a rail car in Corner Brook. There is a little, maybe you can move out a bit by rail, but cargo from the Montreal area and westwards can be more economically carried by the use of rail to Montreal plus ship from Montreal onwards.

MR. MANN: Direct water, say, from Toronto to Corner Brook?

MR. CLARKE: Yes.

MR. MANN: Thank you very much.

MR. CLARKE: But we don't operate from Toronto.

MR. PLATT: Mr. Clarke, will you give me some sort of an idea on the percentage of freight that originates west of Montreal that now comes by North Sydney?

MR. CLARKE: We haven't got the tonnage figures, and likewise, we would have to have a breakdown of not only their total tonnage but also I think it would require a study of the bills of lading. I am sorry I don't know that.

MR. PLATT: I was wondering if you had any idea whether it was big or little?

MR. CLARKE: I would guess 50 per cent, but it is very difficult for us to get.

MR. PLATT: I quite appreciate that.

MR. CLARKE: But I would say it is - we are not talking about just a few tons, we are talking about a substantial cargo.

MR. PLATT: That is what I was interested in knowing.

MR. GOBEIL: Has your volume of business since 1949, has it been more or less stationary or has it increased, and if so, do you have a percentage on that?

MR. CLARKE: The last three years, as I indicated, are just about the same. It could be up this year, and in 1959 our indications are that the tonnage will be higher than last year. I would say that it has increased quite a bit since 1949 because Newfoundland has imported more, and then there is another factor that comes into it, that for some years now there were three steamship carriers, and last year there was another operator from Montreal and that took some of the tonnage, so that does have an effect.

MR. GOBEIL: If we would see an increase by water and railroad, do you think they would be parallel or has the railroad increased very much more?

MR. CLARKE: As a guess I would say they have both gone up and up on about the same graph. I think that would be just a guess, I have no figures to support that.

MR. GOBEIL: Apparently, would that mean that you still get pretty well your volume of business, then, in spite of that?

MR. CLARKE: I can explain that a bit.

As far as Canadian Pacific are concerned, if they have cargo to go to St. John's or Corner Brook they naturally use this method which we are suggesting because they don't have any lines into Newfoundland, and therefore they do turn it over to the water carrier at Montreal and we carry it, so that the C.P.R. cargo comes to us and plus the cargo which we are able to solicit directly, it comes to us, too, and then the C.N.R., they turn over very little that they have en route to us in Montreal. That is about where the situation is.

THE CHAIRMAN: Well then, speaking to Mr. Brock Clarke, is my understanding correct that you will be presenting an enlargement of this brief?

MR. BROCK CLARKE: I don't think it will be very much enlarged; I think we should submit it in writing so that it is available. I think it is the usual custom to make it available.to the people who may be interested in receiving copies and we would have done it before the hearing if we had been in a position to do so. It is really a question of dressing this up a little and presenting it. I don't think there is much additional information, unless the Commission requests us to incorporate certain information which we would have to assemble. If that were the case, then we would be glad to do so.

THE CHAIRMAN: I don't think there is anything that involved; I just wanted to know whether you wanted to continue on at the sittings later in Ottawa or whether we would hear more of your problem in Newfoundland; it is just a matter of timing it.

MR. BROCK CLARKE: I don't think we have anything further to add at the moment, so that it would only be if something came up that we had not anticipated which we might request permission to comment on. We would like permission to file this brief, and perhaps you could give us an indication of the number of copies you want.

THE CHAIRMAN: I was going to say that we ask for 25 copies as a rule.

MR. BROCK CLARKE: Fine.

THE CHAIRMAN: Thank you very much. Then, Canadian Granite Industries; Mr. Awada.

MR. AWADA: Mr. Commissioner, I appear on behalf of the Canadian Granite Industries Association, and I respectfully request permission to file a brief and to present oral arguments and evidence before the Royal Commission at its sittings in Ottawa.

Several days ago I communicated with Mr. Anderson and notified him we wouldn't be in a position to present our evidence at the sittings of the Royal Commission in Montreal, but he suggested that I could nevertheless

appear here at Montreal and request that we be heard at the sittings of the Royal Commission in Ottawa. It was Mr. Anderson's suggestion that I attempt to pinpoint in brief form at the sittings of the Commission in Montreal the points which we intend to raise in our brief, and with the permission of the honourable members at this Commission I would like to do so now.

First of all, may I state that the Canadian Granite Industries Association represents approximately 95% of the quarring and manufacturing capacity of the Canadian industry in Canada. The membership for this Association is Canada-wide. Now, it so happens that the bulk of the quarrying and manufacturing capacity of this industry is located in eastern Canada; as a matter of fact, in the province of Quebec.

Now, between 40% to 45% of the potential market area of Granite products - and I am dealing here with products used for building purposes - has shifted to western Canada over the past 25 years, and this has been due to the rapid development of the western Canadian provinces. Until a few years ago competition from American sources was virtually unknown.

The ever increasing freight costs during the past few years in the long haul from eastern Canada, where the bulk of this industry is located, to western Canada has encouraged the

American Granite industry, especially the one located in Minnesota, to establish a foothold in Canada by literally dumping its products there. It has certainly not been the fault of the Canadian Granite Industry that contracts and consumers in the west are gradually being lost to our American competitors. In an attempt to keep their markets the quarriers and manufacturers in this industry are selling f.o.b. their plants at prices which were prevalent ten years ago, and in some cases, for less, and this despite the enormous increase in the cost of labour and in cost of production.

Mr. Chairman, the fruits of constant and costly promotion over many years by this industry in the western provinces are now being repaid by our United States competitors, as eastern Canadian companies cannot overcome any longer the handicap of horizontal freight increases imposed upon them.

To illustrate, an American manufacturer in Minnesota can deliver by truck directly from his place of production to the building site, thereby gaining an additional advantage over the eastern Canadian producer who can only deliver f.o.b. railway cars at destination.

Now, to illustrate the situation in Manitoba and Saskatchewan, the direct truck haul from the centre of the Minnesota Granite industry, namely St. Cloud, Minnesota, to the

Winnipeg building site is 383 statute miles, and that has to be compared with the rail haul from Montreal to Winnipeg which is 1,408 miles and that is only to the rail sidings.

Similarly, in the case of Regina; from St. Cloud, Minnesota to Regina building sites it is 622 miles. From Montreal to Regina rail siding is 1,764 miles. In the case of Saskatoon the truck haul from St. Cloud, Minnesota to Saskatoon is 792 miles; from Montreal to Saskatoon rail siding is 1,820 miles. Those distances do not take into consideration the additional truck transport from the rail sidings to the building site, which, in many cases, involve additional charges for the use of railway facilities, etc.

On the west coast the situation is roughly as follows; the ocean rate for granite from European ports to Vancouver is approximately $1.35 per ton for minimum shipments of 10 tons. This is compared with the railway freight rate from Montreal to Vancouver under the conditions of a minimum car of 30 tons of between $65. and $72.

A few years ago an application to the railways in respect of this impossible situation resulted in a flat refusal of the railways to change their rates, and they advised that we should petition the Government for a subsidy. Thereupon, one of the members of this

industry resorted during the summer months, to the use of water transportation from Montreal to Vancouver at a price of $30. per ton. The result of this was that the railways, once they became aware of this, approached the member of this Association and granted a freight rate of approximately $42. per ton, which is only about 60% of the railway freight rate. Unfortunately, transportation by water is restricted to a few summer months, and sailings are rather rare. Apart from this, transportation by water takes too long a time, and for these reasons such transportation has to be considered impractical, and can only be used in very exceptional cases.

The greatest harm suffered by the Granite industry is caused by the fact that the products of this industry are heavy in weight but comparatively low in value, and might have been subjected to the horizontal increases in freight rates. In our formal representations to this Commission we will respectfully request amongst other things, that the rates for shipment of this Canadian commodity which is mined and produced entirely in Canada, be reduced to those rates which were in effect as of June, 1957, or, in the alternative, that this Royal Commission still recommends that Parliament order a proportionate reduction in all rates in this tariff affecting the Granite industry, and that the difference be paid as a subsidy

to the railways.

Mr. Chairman, I will have several witnesses to present before this Royal Commission at its sitting in Ottawa if you and the honourable members of the Commission will permit me to present our formal petition there.

THE CHAIRMAN: Yes. Have any Counsel other than Commission Counsel, any questions to ask?

MR. HUME: I have three questions. I am sorry, but I did not catch this gentleman's name.

MR. AWADA: My name is Michael Awada.

MR. HUME: Mr. Awada, I have three questions arising from what you have said. For your information I will mention that I am representing the Canadian Trucking Association. Is there any duty upon American Granite coming into Canada from the western United States?

MR. AWADA: I understand there may be, but the extent of the duty I am not prepared to state at the moment.

MR. HUME: Then, sir, if you know, what is the truck rate from St. Cloud to Saskatoon?

MR. AWADA: I am afraid that I do not have the truck rates, but when we present our evidence we will produce places where contracts involving sizeable amounts were lost

to American producers in Minnesota precisely because of the transportation differential.

MR. HUME: My last question is: Is there any trucking of your granite product from eastern to western Canada?

MR. AWADA: At the moment there is not. The transportation of granite, I am told, is extremely difficult. It is liable to chip and crack, etc., and the industry to date has not been able to use trucking facilities for the transportation of its products from eastern Canada to western Canada. It does use truck transportation for shipments in the province, and even in some cases to the province of Ontario, but it has not to date been able to utilize transportation by truck to western Canada.

MR. HUME: That leads me to one other question. What would be the longest haul that you would have in eastern Canada where you do successfully use the trucking industry?

MR. AWADA: It is probably from here to most points in Ontario, but not beyond.

MR. HUME: Is it not as far as 792 miles, as you gave in your example?

MR. AWADA: Well, it may be that long if the hauls are from points in Quebec to points in Ontario, but certainly we cannot with the present trucking methods, ship the

product from points in Quebec to sites in Winnipeg or in Saskatoon.

MR. DROUIN: What are the points from which the product is shipped?

MR. AWADA: Perhaps I might just refer to this Government publication which is called "The Granite Industry of Canada". There are the eastern townships, Rouyn-Noranda, Ville-Marie, Guenette, Grenville, New Glasgow, St. Raymond and Riviere-a-Pierre. Those are north of the St. Lawrence River. Then, in the Lake St. John region we have Roberval, St. Gedeon, Ile d'Alma, Peribonca River and Chicoutimi. South of the St. Lawrence River we have Monteregian Hills, Stanstead, Stanhope, Scotstown, St. Gerard and St. Samuel-St. Sebastien.

I was reading those names

from a publication of the Department of Mines and Technical Surveys, Mines Branch, Publication No. 846, entitled "The Granite Industry of Canada". It is written by Mr. G.F. Carr, of the Industrial Minerals Division.

THE CHAIRMAN: Are there any other questions?

MR. COOPER: I have just one, Mr. Chairman. Has the Canadian Granite Industries Association ever made any application to the Board of Transport Commissioners for a reduced rate on granite moving into western Canada from Quebec?

MR. AWADA: No, sir , not as an Association. The Association itself representing the quarriers and manufacturers have not made any application to the Board of Transport Commissioners to date.

MR. COOPER: Do you know whether individual quarriers or manufacturers have made such applications?

MR. AWADA: I do know that one of the members was contemplating an application some time ago, but for some reason or other they were discouraged in their application and they never got beyond the preliminary status.

MR. FRAWLEY: Mr. Awada, would you mind telling us something about -- I represent the Province of Alberta. Would you mind telling us something about this industry. What is this granite used for?

MR. AWADA: This granite is used mostly for building purposes. In Montreal, for instance, the Sun Life Building is built entirely of granite. There are over one half million cubic feet of granite in that building.

MR. FRAWLEY: Granite building blocks, then?

MR. AWADA: Yes, sir, that is right. It is used as a structural member mostly for buildings, and its advantages over concrete and steel have been proven, but I am

not in a position at the moment to give you the technical advantages of this product over other products. However, it is used as a structural member for building.

MR. FRAWLEY: Now, why is it that your operations, as you say, have been almost entirely confined to the province of Quebec?

MR. AWADA: Well, that is due to nature, sir. Nature, for some reason or other, has seen fit to bless this province with granite deposits, and you will find very little by way of granite deposits in other provinces. There is an area on the Manitoba border which contains sizeable deposits of granite, and that, I know is owned by a Quebec Company.

MR. FRAWLEY: I take it you have explored the possibilities of establishing branches in ---

MR. AWADA: Oh, yes, but it is virtually impossible to establish finishing plants for this product at a distance too far away from the quarry because, again, our problem would be there two-fold. We would have to transport the bulk material to the plant, and here we are dealing with a heavy substance of which eight cubic feet weigh a ton, and then from the place of production we may have to ship again to its ultimate destination. That is the reason why the industry is located in this province. It is

due to the fact that the deposits of granite are centralized in this province.

MR. FRAWLEY: Mr. Awada, you told us that after somebody made an experimental shipment through the Panama Canal you got a reduced rate.

MR. AWADA: Yes.

MR. FRAWLEY: That is the reduced rail rate.

MR. AWADA: Yes, reduced from $72. to $42.

MR. FRAWLEY: I wrote it down as $32., but you say it is $42.

MR. AWADA: $42.

MR. FRAWLEY: Are you still holding that $42. rate.

MR. AWADA: I doubt it. I do not know; I cannot answer that question.

MR. FRAWLEY: Perhaps you would have that information when you prepare your submission.

MR. AWADA: I did prepare it, but actually the way I prepared this was I communicated with the members of this association, and this particular incident was reported by one of the members who had this experience with the C.N.R. or C.P.R. - I have forgotten which railway it was; but when they showed that this particular company was shipping by way of the Panama Canal, they

immediately granted a reduction from $72. to $42. Whether this rate is still in effect at the moment, I doubt very much, because most likely it has been subject to the normal horizontal increases which all freight rates have been subject to.

MR. FRAWLEY: Roughly, how long ago was that?

MR. AWADA: This was way back in 1952, I believe.

MR. FRAWLEY: Was it an agreed charge, do you know?

MR. AWADA: I am afraid I can't answer that question, but I would suggest that when they present the owner of the company who had this particular experience, that that question be directed to him.

MR. FRAWLEY: You said, Mr. Awada, that you found that the shipments through the Panama Canal were something less than the very best.

MR. AWADA: Yes. It is extremely difficult to ship by water, first of all, because of the time involved. Normally, a producer of granite has to send his product so that it arrives at its destination while the building is being erected. Normally, he may have three or four weeks to get the finished product to the building site. The use of water transport makes it very impracticable, first of all,

because you only have sailings in the summer, and secondly, sailings are not as frequent as they perhaps should be, and thirdly, they are entirely too slow for the industry.

MR. FRAWLEY: You don't have a "fourthly"?

MR. AWADA: No.

MR. FRAWLEY: It is quite clear that you object to increased freight rates by horizontal percentages.

MR. AWADA: Yes, especially where we are dealing with products which are comparatively low in value.

MR. FRAWLEY: Have you any alternative to suggest to the board?

MR. AWADA: I would suggest that the Board of Transport Commissioners perhaps impose a maximum in cents per hundred pounds for products which are extremely heavy and comparatively low in value. That may be one solution to this perplexing problem.

MR. FRAWLEY: Did you put in any appearance at any of those revenue cases and try to get some sort of hold-down on your granite?

MR. AWADA: No, I am afraid we haven't. I may add, this Association was only formed about two years ago by Federal Letters Patent, and we have just begun to explore the possibilities.

MR. MAURO: I have only one question.

You have listed a possible action in the form of the rates that were in effect in 1957, on Federal subsidy?

MR. AWADA: Yes.

MR. MAURO: I would suggest another alternative might be to develop those resources in the province of Manitoba.

MR. AWADA: They have been developed. But you see, granites have many colours; but the type of granite which is being mined and quarried in Manitoba is of one particular colour. Now, it may be true that for that particular type of granite a plant can be established in Manitoba, and thus we won't have too much competition from American competitors. But the large variety of granites that are in demand in Western Canada, fortunately or unforunately, are located in Eastern Canada, in the province of Quebec. That is due entirely to nature.

MR. FRAWLEY: That Manitoba colour turned a little blue lately.

MR. AWADA: I believe it is red.

MR. FRAWLEY: It goes very well.

MR. DROUIN: Quebec is more colourful in that there is more variety available here.

THE CHAIRMAN: Mr. Mann would like to ask a question.

MR. MANN: I have not a question, but a suggestion. I wonder whether in your final submission, Mr. Awada, you might indicate what

happens in the United States ex parte increases in the granite industry in the United States, when a general increase is authorized by the Interstate Commerce Commission. Are there any maximum hold-downs in cents per hundred pounds? As I say, perhaps you might indicate that in your final submission.

MR. AWADA: That is one of the things I intend to look into, and if we find that there is we might recommend that perhaps for commodities such as this there should be a maximum in cents per hundred pounds. This may be the only solution, unless this commission sees fit to recommend some form of subsidy or that the railway return to the 1957 rates.

THE CHAIRMAN: Is anybody here representing the Quebec Trucking Association? I believe, Mr. Hume, you indicated yesterday that generally you planned not to make a presentation at this meeting. Is that correct?

MR. HUME: Yes, Mr. Chairman. I may say that I do not act for the Quebec Trucking Association.

THE CHAIRMAN: You act for the Canadian Trucking Association.

MR. HUME: Yes. I have been given to understand that when the hearings resume in Ottawa in the spring of 1960, somebody from the Quebec Trucking Association, or somebody from Quebec speaking on behalf of the Canadian

Trucking Association, whichever is more convenient, would be on hand.

THE CHAIRMAN: Thank you Mr. Hume. Are there any others who wish to make any presentations at the sitting today? It would seem that there are none. It remains only for us to adjourn. The next sitting of the Commission will be in Fredericton, I believe, on the 9th of November.

Thank you very much, gentlemen.

---Whereupon at 11:30 a.m. the hearing adjourned until the 9th of November, 1959 at Fredericton, New Brunswick.

ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

FREDERICTON
N. B.

November, 9th, 1959.

VOLUME No.:
3

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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held in the Students' Centre, University of New Brunswick, at Fredericton, New Brunswick on the 9th day of November, 1959 at 10 a.m.

COMMISSION

Mr. M. A. MacPherson, Q.C.	Acting Chairman
Mr. H. Anscomb	Member
Mr. A. H. Balch	Member
Mr. R. Gobeil	Member
Mr. H. Mann	Member
Mr. A. Platt	Member

COMMISSION COUNSEL

Mr. A. G. Cooper, Q.C.

Mr. G. S. Cumming

Mr. F. W. Anderson	Secretary
Major N. Lafrance	Assistant Secretary

In the absence of Honourable C. P. McTague, Q.C., Mr. M.A. MacPherson, Q.C. presided.

THE ACTING CHAIRMAN: Gentlemen, my first word to you this morning must be to express the regret of the Chairman, Mr. McTague, at his not being here. It is our regret and I am sure it is yours and it certainly is his. The Chairman is indisposed, but we have every expectation of his rejoining us in Ottawa early next month. Mr. Gobeil of Quebec is not here this morning, but he will be here this afternoon. He has been detained as he is a witness in court in Quebec -- he is not the accused.

This is a free and democratic country and this Royal Commission has come to hear submissions that may be made on the problems that are assigned to us as a Commission. I think so all of you may know what we are told to do and what we are expected to do, we might have the Secretary read the Terms of Reference.

MR. ANDERSON: Mr. Chairman, I read from a Minute of a meeting of the Committee of the Privy Council approved by His Excellency the Governor General on the 13th of May, 1959 which is designated P.C. 1959-577:

> "The Committee of the Privy Council have had before them a report from the Right Honourable John G. Diefenbaker, the Prime Minister, stating that it is in the national interest that a comprehensive and careful inquiry be made with all reasonable despatch into problems relating to railway transportation in Canada and the possibility of

"removing or alleviating inequities in the freight rates structure.

The Committee, therefore, on the recommendation of the Prime Minister, advise that

Herbert Anscomb, Victoria
Archibald H. Balch, Ottawa
Rene Gobeil, Quebec
M.A. MacPherson, Sr., Regina
Howard Mann, Moncton
Honourable Charles P. McTague, Toronto
Arnold Platt, Lethbridge

be appointed Commissioners under Part I of the Inquiries Act to inquire into and report upon the problems relating to railway transportation in Canada and the causes thereof, and to recommend solutions thereto, and in particular, without restricting the generality of the foregoing, the Commission shall consider and report upon:

(a) inequities in the freight rate structure, their incidence upon the various regions of Canada and the legislative and other changes that can and should be made, in furtherance of national economic policy, to remove or alleviate such inequities;

(b) the obligations and limitations

"imposed upon railways by law for reasons of public policy, and what can and should be done to ensure a more equitable distribution of any burden which may be found to result therefrom;

(c) the possibilities of achieving more economical and efficient railway transportation;

(d) whether, and to what extent, the Railway Act should specify what assets and earnings of railway companies in businesses and investments other than railways should be taken into account in establishing freight rates; and

(e) such other related matters as the Commissioners consider pertinent or relevant to the specific or general scope of the inquiry.

The Committee further advise:

1. That the scope of this Commission shall not extend to the performance of functions which under the Railway Act are within the exclusive jurisdiction of the Board of Transport Commissioners;"

Among other things, those are the Terms of Reference.

THE ACTING CHAIRMAN: We have a list of those who propose to file submissions, some of

whom are not here as yet. We will of course be ready to hear anyone who has anything that will assist us.

SUBMISSION OF THE
GOVERNMENT OF THE PROVINCE OF
NEW BRUNSWICK
TO THE ROYAL COMMISSION ON TRANSPORTATION

Appearances:

Premier Hugh John Flemming

Mr. John A. Paterson

Mr. K.B. Carson

MR. FLEMMING: Mr. Chairman, Members of the Commission: My first thought in rising to present the submission of the province of New Brunswick is to extend to you and all members of the Commission and all persons accompanying the Commission officially and otherwise with a hearty welcome on behalf of the people of New Brunswick. We would hope that your stay in our province, even though it is just a couple of days, might be most pleasant. We would hope that from it would come a great deal of help to you in the great problem which you have to consider to the great benefit of all the people of our nation.

The Government of the Province of New Brunswick has a very strong case for presentation to your Commission. This case is primarily based on the impact of national transportation policy on the economic development of the

of the Atlantic provinces. The success of national transportation policy as regards the Atlantic provinces must be judged in the light of its effect on economic growth. At the same time we recognize that transportation policy is only one aspect of the flexible national policy needed to stimulate the economic development of the Atlantic provinces. Other factors include a flexible monetary policy and incentives to secondary manufacturers to encourage their location in the Atlantic provinces.

This submission is based on broad considerations of the relationship between national transportation policy and economic development. It is not concerned with the technical aspects of such policy. It is my understanding that this will be done for the Atlantic region as a whole in the submission of the Maritimes Transportation Commission to be made in Ottawa.

General Economic Background: The years since the end of World War II have seen the Canadian nation achieve maturity as an industrial power. This is the result of great national policies which were adopted in the nineteenth century: The construction of transcontinental railways, tariff protection, and the opening of the western lands for settlement. These have been supplemented, over the years, by other policies as they were required for purposes of national economic development. National economic policies

were primarily adopted to serve broad national ends. In this process the interests of our part of Canada have often been disregarded.

During this period of advancing maturity, it was quite proper to think in national terms and for the more mature regions to help supply the capital and human resources necessary to develop the unexploited resources of other regions. The Maritime provinces, the most mature section of British North America in 1867, have played their part in the expansion of the Prairie provinces and British Columbia, and, indeed, a not inconsiderable role in the economic growth of Ontario and Quebec.

In the post-war period, the economic boundaries of the country have been filled out and Canada has become an industrial nation of world stature. The time has come to reassess national policies and to determine to what extent they are appropriate or otherwise to the changed circumstances of the Canadian economy.

The rigid policies needed for the period of development may not now be required, in all their application, since the broad basis of the economy has been laid.

Since the conclusion of World War II, Canada has passed through one of the most remarkable periods of economic growth in its history. The period has been marked by the rapid expansion of resource industries in the Prairies and

British Columbia and the accelerated development of secondary manufacturing in Ontario and Quebec. On the Prairies, the discovery of oil and natural gas wrought tremendous changes in the economy. In British Columbia, rich mineral and forest resources initiated a rate of economic expansion which has few parallels anywhere else in the world. In the Central provinces, the legacy of industrial plant, inherited from the war effort, has served as a firm base for the rapid development of secondary manufacturing industries. This expansion has been, and still is, greatly assisted, of course, by the national policy of tariff protection. At the same time, the primary industries of Ontario and Quebec were able to achieve remarkable rates of growth due to the existence of extensive, unexploited resources of minerals, wood and hydro power.

In New Brunswick, and in the Atlantic provinces generally, the situation has been in sharp contrast to that of other regions of Canada. The resource base has not been sufficiently large or diversified enough to promote rates of development at all comparable to those in the Prairie provinces and British Columbia.

In addition the competitive position of secondary manufacturing in the Atlantic provinces, as contrasted with that of the Central provinces, has deteriorated. This has been due

primarily to two factors: (1) The frequency and total amount of horizontal percentage increases in railway freight rates which have been a feature of the whole post-war period; (2) World War II brought no benefits of secondary manufacturing in the Atlantic provinces at all comparable to the benefits it brought to Ontario and Quebec.

Due to these circumstances, the relative position of the Maritime provinces within the Canadian economy has tended to worsen since 1946. Personal income per capita in New Brunswick declined from 72.4 per cent of the Canadian averagein 1946 to 64.2 per cent in 1958. In Nova Scotia, the decline was from 84.9 per cent to 74.9 per cent. In Prince Edward Island, the decrease was not significant, being from 60.8 per cent of the Canadian average in 1946 to 60.1 per cent in 1958. In 1949, when Newfoundland entered Confederation, its personal income was only 49.7 per cent of the national average. By 1958, it had risen to 56.5 per cent.

The relative position of the Atlantic provinces within the national economy is perhaps best illustrated when Gross Provincial Product per Capita is expressed as a percentage of Gross National Product per Capita. The following table has been prepared from work done by economists of the University of New

Brunswick and the Atlantic Provinces Economic Council:

Gross Provincial Product Per Capita
Expressed As a Percentage of Gross
National Product Per Capita

Year	N. S.	N. B.	P.E.I.	Newfoundland
1946	69.4	59.8	47.9	
1947	65.8	58.7	45.6	
1948	62.3	57.8	48.6	
1949	63.6	55.6	46.9	41.9
1950	62.9	55.8	47.9	42.9
1951	58.2	54.8	46.0	41.0
1952	59.3	53.4	47.3	41.4
1953	60.9	53.2	43.2	42.9
1954	53.9	56.9	44.8	44.7
1955	61.0	55.6	44.1	42.4
1956	60.9	56.1	45.7	42.2
1957	62.4	55.1	44.2	43.3

Canada today consists of five regions, all except the North, of considerable economic maturity. This fact should be recognized to a greater degree in national economic policies. The Government of New Brunswick believes that national policies, including national transportation policy, must be much more flexible so as to recognize the differing circumstances of the five regions which constitute the nation. In the years ahead, the aim should be to promote a more balanced growth in all regions. This will strengthen the nation economically and

promote greater national unity.

We submit that a transportation policy to foster economic growth in the Atlantic provinces should be directed toward the following ends:

(1) The extensive and intensive exploitation of the region's resources in an efficient manner;

(2) The accelerated development of industries processing the indigenous resources of the region;

(3) The expansion of secondary manufacturing already established in the region and the development of new secondary manufacturing industries.

A number of resource industries in the Atlantic region have expanded to a healthy extent, and are likely to expand still further in the years ahead. However, the indicated growth in these sectors of the regional economy cannot of itself produce the general economic improvement which is necessary and desirable to achieve "a reasonable balance". In order to do so, substantial improvement in the development of secondary industry is vital.

During the period from 1940 to 1956 in New Brunswick the gross value of total mineral production, in real terms, increased three-fold, and the real gross output value of total pulp and paper doubled. It must be remembered, however, that these two industrial

sectors have a high capital intensity and a relatively low labour content. Employment in the pulp and paper sector, including both woods and mill operations, increased by approximately 60 per cent during the period, while employment in the mineral sector did not increase at all.

During these years the gross value, in real terms, of the lumber and wood using sector, including woods, sawmill and wood using industries operations, increased only modestly. The same situation prevailed in the fish and fish processing and in the agricultural sectors. At the same time, employment in these three sectors declined. In the case of agriculture this decline amounted to 47 per cent.

In manufacturing, other than that directly connected with our resource industries, employment increased by 40 per cent between 1940 and 1956. This sector of the economy is largely represented by the foods and beverage industries, not including fisheries preparations-these industries accounted for 61 per cent of the gross value of the sector in 1956. Secondary manufacturing, therefore, had not developed to the extent of being able to absorb the labour being displaced from the lumber and wood using, the fishing and the agricultural industries. Nor have the resource industries, with their relatively low labour content, been able to

accomplish this.

The construction industry and the services have apparently played the major role in re-employing displaced labour in New Brunswick. Employment in construction in 1956 was nearly four times that in 1940. Construction activity has, however, been greatly influenced in recent years by a few large projects such as the building at Camp Gagetown and its residential area of Oromocto and at the Beechwood hydro power project. It is difficult to foresee capital investment expanding indefinitely at the high rate of recent years.

It is logical, therefore, for New Brunswick to look to the development of some relatively labour intensive activity to provide employment opportunities for labour being displaced, in the natural course of events, from other industries, and to provide also employment for those who will be entering the labour force as population grows. At this point we have not mentioned the proportionately high volume of labour engaged in subsistence occupations in the Atlantic provinces, which the Royal Commission on Canada's Economic Prospects found to be the main factor holding down income levels in the region below those in the rest of Canada.

To perform these functions we believe that a much faster development of secondary

manufacturing is a necessity. We believe also that national policy must be so designed to encourage this type of development in New Brunswick and the whole Atlantic region. We suggest that transportation policy is one aspect of national policy which can be designed to help achieve these objectives.

The Transportation Problems of New Brunswick: We have stressed the regional nature of the Canadian economy and the necessity of flexibility in national policies to promote a balanced development of regions. A recognition of the needs of the several economic regions of the nation in transportation policy is needed. An overall national transportation policy can have little meaning in a country as vast and as diversified as Canada.

Rail Transportation: During the years following Confederation the whole trade pattern of New Brunswick was drastically altered. The province was forced to attempt to develop new markets within Canada based upon east and west transportation over relatively long distances, as opposed to serving the nearby markets in the New England States as it had been doing.

Transportation by a new means was necessary. Instead of many of the products of the province moving by water to their markets, New Brunswick entered an era of being largely dependent upon railways for its trade.

Transportation was recognized as a major factor and handicap to the maintenance and further development of trade and industry in the Maritime provinces. To overcome the handicap, and to afford the Central provinces a Canadian route to the sea, the Intercolonial Railway was promised - was undertaken and was completed. The major intent of the Intercolonial Railway was that it would make available to the Maritimes a market of several millions of people instead of the limited markets of the region and the export market of New England. The rate structure for many years reflected that policy.

From the time of its completion in 1876 until 1912, the Intercolonial Railway maintained the low level of rates, the interests of the Maritime provinces were reasonably well protected and the intent of the original agreement was fairly well carried out. Following 1912, however, in a general trend of rail freight increases in Canada, the picture changed and by 1926 it was found that, whereas the general freight rate increase was estimated to be 55 per cent in the rest of Canada, rates on the Intercolonial had gone up 92 per cent. The advantage which the area had enjoyed to help place it in a competitive position following Confederation was lost.

The members of the Duncan Commission in their report on Maritime Claims in dealing

with the subject noted:

> "The rate structure as it has been altered since 1912 has placed upon the trade and commerce of the Maritimes, (a) a burden ... it was never intended that it should bear, and (b) a burden which is in fact responsible in very considerable measure for depressing abnormally in the Maritimes today business and enterprise which had originated and developed before 1912 on the basis and faith of the rate structure as it then stood."

The Commission went on to describe this as "a position which must be dealt with drastically and promptly".

Following this, in 1927, the Maritime Freight Rates Act was passed incorporating almost all of the recommendations of the Duncan Commission and providing as its chief feature that the freight rates - within the Maritimes and the portion westward from the Maritimes to a point near Quebec City - of the Intercolonial should be reduced 20 per cent and the difference paid by the dominion as a whole. (Effective on July 1st, 1957, the reduction on traffic westbound from the region became 30 per cent).

This had the effect of restoring the advantage to some degree which the Maritimes had

formerly enjoyed and placed the freight rate structure from the area upon a basis which reflected the original purpose and intent of the legislation.

However, this condition was not long to prevail. Two factors have tended to wipe out the advantages thus gained. The first was the new influence of truck competition. Over the relatively short distances between the source of raw materials or the manufacturer and the markets in Ontario and Quebec, shipments by truck at relatively low costs and with door to door service began to offer stiff competition to the railways. To meet this competition the railways reduced their rates in the areas affected, thereby tending to eliminate the advantages to Maritime shippers afforded by the Maritime Freight Rates Act. Because of the distances involved, similar competition from road transport was not available to New Brunswick shippers, at least to the same degree.

The second factor which has tended to destroy this transportation assistance to the Maritime provinces has been the series of post-war freight rate percentage increases authorized by the Board of Transport Commissioners for Canada. These permitted an upward revision in rates of 141.9 per cent of the 1948 levels.

The method by which the railways

were permitted to increase their rates and the manner in which the increases were applied is a matter of grave concern to the economy of the Atlantic region. The so-called horizontal increases affect the long distance shipper to a greater degree in dollars than the one who has only a short haul to his market. The difference in dollars may be sufficient either to eliminate or aggravate detrimentally the competitive position established by New Brunswick manufacturers in the Central Canadian markets. The Duncan Commission in commenting on the horizontal rate increase had this to say: "Indeed the reaction of the burden which it imposes is so great that, in our view, it should be dealt with as a separate problem". There seems little reason to believe that anything would change this view in the present.

In addition to the serious implications of the principle of horizontal rate increases, its application in Canada has further aggravated the problems of the Atlantic provinces. While increases of up to 141.9 per cent have been authorized, the full increases have not been imposed in the central provinces. In these provinces the railways, faced with ever increasing competition from trucks, have not seen fit to apply the full amounts authorized in order to maintain their competitive position in the transportation field.

The fact that the railways need more revenue to operate successfully is recognized. However, it does not seem reasonable that a part of the country which faces the most serious economic problems should be asked to meet its share of increased transportation costs and, in addition, contribute to revenues lost by the railways in wealthier areas. The position has again been reached when national transportation policy, as it relates to the Atlantic provinces, must be adjusted in the light of the economic needs of the region.

Water Transportation: In the early days of New Brunswick development, water was the chief means of transportation. Today intra-regional coastal shipping has been materially curtailed. One of the greatest factors in eliminating the ship as an important carrier has been the modern road and the large capacity truck which introduced greater speed and also enabled point of origin to destination delivery at equal or lower cost than could be offered by water-borne means. Increased railway efficiency has also had an important influence.

The use of water carriers for the movement of New Brunswick cargoes to markets in Central Canada has also been considerably curtailed. This type of movement is now largely confined to bulk shipments.

In 1927, the Duncan Commission reported

as follows:

> "We recommend that, in respect of each of the two harbours (Saint John and Halifax), the Federal Government should establish a statutory Harbour Commission, whose business it would be to see that the port facilities are developed on such a scale as will gradually - but by no means slowly - create channels through which trade can expand both winter and summer ... already there has been considerable irritation in the Maritime provinces at the neglect of the development of trade through their ports, and we feel that that neglect cannot be made good unless port facilities are taken in hand, and unless the ocean policy of Canada is not so much declared in general terms as organized in detail".

The Harbour Commission, of course, came into existence and much has been done, but much remains to be done. The goals set out by the Duncan Commission have not been attained.

The ports of Saint John and Halifax have not developed an expanding trade throughout the twelve months of the year. Indeed, recent developments have serious implications as to their future as important Canadian winter ports. A generation has passed since the

Duncan Commission made its report and we still haven't a clear definition of policy as to the role that Saint John and Halifax are expected to play in the trade of the Canadian nation. The Canadian people have invested tens of millions of dollars in port facilities at Saint John and Halifax -- surely these should be utilized to their full capacity, certainly through the winter months and before large amounts of public funds are expended to open up competitive facilities. If public funds are spent for this purpose, who is going to bear the extra expense -- the user, or the Canadian tax-payer? These are two important questions to which the people of the Maritime provinces require the answer and I ask the Commission to give them their most serious consideration.

I would also request the Commission to assess the adequacy of present port facilities at Saint John to meet changing trends in the nature of Canada's export and import trade. The operation of a national port is a business and, like any other business, port authorities should always be planning to meet future market requirements.

Road Transportation: Commercial transportation by road in New Brunswick is relatively new. Up until 1930 inter-urban trucking was practically unknown. Several

factors contributed to the slow development of shipping by road. Railways reach most regions within the province and rates were not high; the population was limited and there was no large degree of manufacturing which would warrant the establishment of a trucking service; lumber, the basic material of the economy, was bulky and unsuited to truck transportation. In addition, the province only had a rudimentary network of suitable roads. Distances to markets outside the province were too great with the vehicles then operating to offer competitive forms of transportation.

It has only been in the post-war years that the use of trucks has increased to any great extent. With the general increase in industrial activity within the province and increased trade, there has been sufficient volume and sufficient inter-urban traffic within the region to bring about an increase in shipments by truck.

Since the end of World War II, there has been a vast improvement in the highway system of the province of New Brunswick. The province has participated fully in the Trans-Canada Highway Program and, over and above this, the provincial government, itself, has spent large sums on provincial highways. This has improved the amenities of our province and has played an important part in the promotion

of economic growth.

In the opinion of the Government of New Brunswick, the Trans-Canada Highway program has been a great success and has made and will make a most important contribution to the economic and social unity of the Canadian nation. The completion of the Trans-Canada Highway, however, should not mark the end of federal-provincial co-operation in the field of highway construction. Many important tasks remain to be done. The federal and provincial governments should co-operate in the reconstruction of important routes to the international border and the development of alternative routes to the Trans-Canada Highway. For example, in New Brunswick, it is surely in the national interest to have really excellent highways from St. Stephen to the Nova Scotia Border and from Quebec and the North Shore of our province to Moncton. These highways are of importance to the whole of Eastern Canada, not to New Brunswick alone.

While I am dealing with these aspects of the role of the federal government in the field of transportation, this is perhaps the appropriate place to refer to several projects which lie under federal jurisdiction and which are of great interest to the people of the Maritime provinces. These are:- The Causeway to Prince Edward Island, the Chignecto Canal,

and the Corridor Road through Maine. I believe that the feasibility of all these projects are under study by officials of the federal Department of Transport. I would ask this Commission to carry out its own assessment of these projects and to make available to us the results of their studies and deliberations. Great sums have been spent on the St. Lawrence Seaway to improve the transportation facilities of the Prairies and the Central Provinces. I am sure that the federal government will be prepared to spend similar sums on the Atlantic Provinces if it can be shown to be in the general interest.

Air Transportation: There is little doubt that the advent of air transportation within the Maritimes has done much to shorten lines of communication with the rest of Canada, and to a similar extent within the Atlantic Region itself. Three major air terminals - Fredericton, Saint John and Moncton - are operated in New Brunswick. These have transcontinental connections and a service to Boston is operated connecting with the Chief American Airlines.

Air cargoes should tend to increase and services develop to deliver Maritime produce - particularly fish - to broader markets. An extension of air handling of other perishables may also be expected.

Recently, all railway passenger services between New Brunswick and Boston were discontinued. Thus it is essential that our connections by air with Boston be expanded. At the present time, there are only two flights a day out of Saint John. There are no direct flights from Fredericton or Moncton. Clearly, Trans-Canada Airlines must remedy this most unsatisfactory situation.

Requirements of a Transportation Policy: There are two requirements of transportation policy as such policy relates to the province of New Brunswick.

1. It is vital for New Brunswick industry to have access to the Central Canadian market at transportation costs which approximate those of competing industries in that market;

2. It is important to hold transportation costs on goods inbound into New Brunswick at a level proportionate to that of Central Canada so as to keep down costs of producers using raw material or semi-finished goods from Central Canada, and to minimize the impact of freight rate increases on consumer goods. In regard to the latter, we recommend that the Royal Commission conduct an investigation of the impact of transportation costs on consumer prices and industrial costs.

We have already noted that the

resource industries of the Atlantic provinces have exhibited considerable growth and will continue to do so in the future. However, the future development of these industries cannot alone bring about the level of economic activity necessary to correct the imbalance which now exists between the Atlantic region and other regions in Canada. To correct this imbalance the establishment and growth of secondary manufacturing, with its high labour intensity, is a necessity. However, secondary manufacturers encounter serious disadvantages in the Atlantic provinces. Perhaps the main disadvantage arises due to the limited nature of the regional market. The population of the Maritime provinces is smaller than that of Metropolitan Montreal or Metropolitan Toronto. In addition, there are no concentrated market areas such as exist in the other regions of Canada. The population of the Maritimes is widely dispersed in many centers of varying size - almost half of it in rural areas. At the same time, the level of personal income means that consumer purchasing power is lower in this region than in other regions. To acquire mass markets the only hope of Maritime manufacturers of secondary commodities is to establish a one-directional traffic with central Canada. Distance in all its implications tends to

discourage this move.

In this regard the position of the Atlantic region is unique in Canada. Perhaps the position of the Prairie provinces most nearly approaches that of the Maritime provinces. Unlike the Maritimes, however, the Prairies do have relatively large concentrated markets, vast new resources in oil and natural gas, and the possibility of out shipments in two directions.

At this stage of Canadian economic development national policy must be designed to promote the development of all regions. Transportation policy, which is one component of total national policy, should be directed to regional development. Transportation policy with regard to New Brunswick, and the Atlantic region generally, should be aimed at facilitating the movement of the area's established and potential output to the mass markets of central Canada.

We emphasize that we claim greater access to the markets of Central Canada as a right, not only because of the contribution it will make in increasing our relatively low per capita incomes. It was part and parcel of the settlement that was made at Confederation. At that time, as is well known, many of our public men were very concerned about entering a union which would put control over commercial

policy under a parliament in which Maritime representatives would be in a minority. We were solemnly assured and promised, however, that one of the principal aims of Confederation was to open up great new markets for the Maritime provinces in Ontario and Quebec. If one reads the history of those times, it is abundantly clear that if this promise had not been made, Confederation would not have taken place.

We have also noted that the principle which would permit Maritime industry access to the Central Canadian market at transportation costs which approximate those of competing industries in that market, was recognized with the construction of the Intercolonial Railway. Succeeding events destroyed this intent, but it was re-established with the Maritime Freight Rates Act of 1927. However, since that time three factors have made the Maritime Freight Rates Act, as presently in operation, an inadequate instrument to serve the purpose for which it was designed. These factors are:-

(1) Competitive rates within Central Canada;

(2) Horizontal or percentage freight rate increases; and

(3) Competitive hold-downs on these increases in central Canada.

Competitive Rates: The Maritime Freight

Rates Act cannot cope with the situation created by competitive rates. This was established when the Maritime Board of Trade alleged that, as a result of truck competition in Quebec and Ontario, the railways had reduced their rates on traffic in Central Canada while maintaining them on similar traffic moving from the Maritimes to Quebec and Ontario, contrary, it was claimed, to Section 8 (now Section 7) of the Act. A case dealing with the matter was brought before the Board of Transport Commissioners, and was appealed to the Supreme Court of Canada (46 C.R.C. 161).

Two important observations were made in that case. One was made by the Board when it pointed out that the cancellation of the competitive rates in Ontario would not improve the position of the Maritime shippers in any degree since the raising of tolls in Ontario would merely drive business to the trucks, and the Board has no authority to lower tolls in the Maritimes because of competition existing in another part of the country. The second was made by the Supreme Court when it held that, while the Board had power to cancel rates in outside territory which might destroy the statutory advantages given by the Act, it had no power to vary rates in select territory by allowing a reduction proportionate to the reduction made by the Railways in the territory

outside the select territory.

We do not suggest that it is either necessary or desirable to match every Central Canadian competitive rate in the Maritime Provinces. We do recommend, however, that the Maritime Freight Rates Act might be so designed that the overall effects of territorial variations in the amount and intensity of competition could be taken into consideration. This is another technical matter which will be covered for the Atlantic Region as a whole by the submission of the Maritimes Transportation Commission in Ottawa.

It is, of course, recognized that the Maritime Provinces are getting an increasing number of Agreed Charges and competitive rates on traffic which is of interest to the area, reflecting greater competition for the railways. But a greater percentage of our traffic moves at class and commodity rates than is the case in Central Canada, and it is class and commodity rates which can be increased most easily. The mere publication of Agreed Charges and competitive rates does not, however, ensure partial or total immunity from rate increases. We maintain that our competitive rates are subjected to a greater extent to general rate increases than those in Central Canada. This is because competition to the railways in this area is weaker than that offered in Central

Canada, due to greater distances and lower traffic density arising, among other things, from the size of the population, its distribution and its income levels.

Horizontal Increases: Horizontal freight rate increases accentuate the difficulty of Maritime industries to have access to the Central Canadian market at transportation costs approximating those of competing industries in that market. They also make it impossible to hold transportation costs on good inbound into the Maritimes at a level proportionate to that in Central Canada. In the latter case horizontal increases have a greater impact on long-haul receivers who have a higher base rate than on short-haul receivers. This means that the transportation content of outbound goods which contain inbound non-regional materials becomes greater in relation to competitive producers than it was before the increase. It also means that consumers in New Brunswick have the transportation component of price increased more than consumers in Ontario and Quebec.

By the mere operation of horizontal increases the position of the New Brunswick producer worsens in the Central Canadian market. The long-haul shipper has a real grievance in this regard. This matter was given considerable attention by both The Royal Commission on Maritime Claims which reported in 1926, (Duncan

Commission) and The Royal Commission on Transportation which reported in 1951 (Turgeon Commission). In both cases it was pointed out that the incidence of horizontal increases falls heavier on long-haul shippers.

It is obvious that any horizontal freight rate increase, an overall rise of a certain percentage, will affect the long distance shipper to a greater degree in dollars than the one who has only a short haul to his market.

This process has in fact been in operation and has seriously affected the ability of the New Brunswick shipper to compete in the large consuming areas of Central Canada. It has been an important factor in destroying the intent of the Maritime Freight Rates Act. It has also been a factor helping to curtail the economic development of the whole Atlantic Region.

Competitive Hold-Downs: Competitive hold-downs of transportation costs in Central Canada have aggravated this situation. The adverse effects of horizontal raises on New Brunswick shippers are increased by the inability of the railways to apply authorized freight rate increases in full, or at all, on much of Central Canada's traffic because of the intensity of competition in that territory. The transportation cost gap between New Brunswick

and Central Canadian producers in the common market of Central Canada is, therefore, widened still further.

The result of these processes, other considerations aside, has been to tend to restrict the competitive market area of many New Brunswick producers to the Maritime provinces with a population of 1.4 million. This has serious implications for Maritime firms with regard to achieving optimum size of production. It also acts as a deterrent to the establishment and development of secondary manufacturing in the entire Maritime area. We have already shown, in view of the nature of the regional economy, that this type of development is a necessity to correct the imbalance now existing between the Atlantic region and the other regions of Canada.

Needs: A point made earlier in this submission needs to be repeated at this stage. The success of transportation policy as regards the Atlantic provinces must be judged in the light of the effect such policy has on the economic growth of the region.

One of the great objectives of transportation policy must be to promote reasonably balanced growth in the country as a whole. In the long run, no other factor can make a greater contribution to that feeling of national unity which is essential to the preservation of the Canadian nation.

(1) We must be assured competitive access to the Canadian market;

(2) We must have some protection against the heavy impact of horizontal percentage freight rate increases;

(3) We must be assured that any solution will be one which contains a self-adjusting mechanism so that we can look forward to a continuation of our relative position within the Canadian freight rate structure.

Conclusion: This Commission should explore various means of amending the Maritime Freight Rates Act so that it may fulfill its original intention. A number of methods of doing this have been suggested. For example, it has been pointed out that the Act might be changed to ensure that the average rate on shipments from the Atlantic provinces is in line with the average rate of competing shippers in the common market. Provisions would have to be made that once the re-alignment had been achieved, it was kept automatically true. In addition, certain classes of shippers hold they would benefit if they had greater freedom in choosing forms of transportation for their products.

These proposals, of course, raise problems of considerable complexity but they might well be the means of attaining the desired

end. That is, to open up expanding markets in the rest of Canada which will enable New Brunswick and the other Atlantic provinces to share more fully in future Canadian growth.

In summary, the Government of New Brunswick submits that one great objective of transportation policy must be to promote reasonably balanced growth in the Canadian economy as a whole. Indeed, this has always been one of the primary aims of transportation policy in this country. In recent years, there has been a tendency to forget this fact and it has been to the detriment of the Atlantic provinces. This historic function of transportation policy was well stated in the report of the Rowell-Sirois Commission:

> "The provision of national transportation facilities was but one aspect of Dominion railway policy. To attain the objectives of that costly policy it was necessary to secure a level of rates which would counteract the North-South pull of geography and of possible alternative routes and draw traffic over the East-West lines instead. Hence the Dominion played an important part in shaping the railway rate structure (by legislation and by rulings of the Railway Committee of Privy Council and later of the Board of Railway Commissioners).

"The nature and extent of its intervention were fixed by its determination to encourage inter-regional traffic and all-Canadian transportation".

Mr. Acting Chairman and Members of the Commission: In closing this presentation, I am impressed by the fact that this sitting today is repeating what has taken place so many times before, i.e. considering the influence of transportation policy upon the economic life of New Brunswick. We know that most of the attempts at correction have proved abortive since the construction of the Intercolonial Railway in the early days which followed Confederation. Most notably successful, of course, were the findings of the Duncan Commission and the subsequent passage of the Maritime Freight Rates Act in 1927, which helped to correct the imbalance that had developed during the period of World War I. Since that time, however, for reasons which I have enumerated, the economy of the province is once more under heavy pressure from the discriminatory effect of the changes which have taken place. As a result, a time of historic decision has once more been reached in the transportation field, the consequences of which are bound to influence the course of New Brunswick's economic development for the rest of this century. In a few weeks, we will be entering the sixth decade

of the Twentieth Century during which we will celebrate the one-hundredth anniversary of Confederation. It is my hope that New Brunswick may be able to join in those observances as a full partner in the great union of provinces and in complete enjoyment of the principles of equity and justice which the constitution was designed to provide.

THE ACTING CHAIRMAN: I think, Mr. Premier, that this submission is very highly honoured in that the Premier of the province has himself come here and presented it to us. It is very comprehensive and very exhaustive. In opening I suggested that the Terms of Reference indicated what our job was, but the half had not been told. When we finish we have to consider the Chignecto Canal and the Causeway to P.E.I. and so on. Now, there are one or two questions that I would like to ask for the record. In New Brunswick have you regulation of truck rates?

MR. FLEMMING: The truckers file with the Motor Carrier Board, file their rates with the Motor Carrier Board.

THE ACTING CHAIRMAN: But there is no rate control as such?

MR FLEMMING: No, there is no rate control, that is right.

THE ACTING CHAIRMAN: You have stressed, and I can accept that, the question of horizontal

increase and that is going to be one of the very difficult things for us to consider. I am not going to embarrass you now by asking you to submit anything further, but as you understand when the Board of Transport is required because of increased labour on material costs to make an increase they have adopted this simple method. If you would file, or your technical advisors would cause to be filed with the Secretary any alternatives to the horizontal increase, how would you suggest that the matter be met rather than by horizontal increase. We would very much appreciate that. Are there any other questions from my colleagues?

COMMISSIONER ANSCOMB: Could I just ask this: Do I understand from the honourable Premier, that if I wanted to start a trucking business here, there would be no control over my activities at all?

MR. FLEMMING: Oh yes, you would have to apply to the Motor Carrier Board.

COMMISSIONER ANSCOMB: But from a rate standpoint I could charge anything I wanted to.

MR. FLEMMING: Subject to the Board.

THE ACTING CHAIRMAN: Thank you very much, Mr. Flemming. Is there anyone else who would like to ask any questions of Mr. Flemming?

MR. MAURO: On behalf of the Prairie region I would like to inquire into this lack of competitive factors represented by water transportation. As you so fully know, Mr. Chairman, we in Manitoba, Saskatchewan and Alberta are always complaining that

we have no competitive factor, no water competitor factor in the Prairie region. Here in New Brunswick with the wonderful highway of the St. Lawrence into central Canada, I was wondering if your technical people would submit a little more information as to why water transportation does not play more of a part in moving your products to markets in central Canada.

MR FLEMMING: We will be glad to furnish that information.

THE ACTING CHAIRMAN: Any other questions? Well, thank you very much Mr. Flemming. I think we might now take a 10-minute recess.

--- A short recess.

THE ACTING CHAIRMAN: All right, gentlemen.

I think, gentlemen, before calling on the next witness I should introduce to you -- what I failed to do in opening -- the members of the Commission and tell you where they are from: Mr. Balch of Ottawa; Mr. Anscomb, Victoria; Mr. Mann of Moncton, whom you know; and Mr. Platt of Lethbridge. I, of course, come now from the Province of Saskatchewan, although I was born in the Province of Nova Scotia.

Now, the next witness is Mr. Smith, I think.

SUBMISSION OF
SAINT JOHN BOARD OF TRADE

Appearance:

Mr. H.H. Smith

MR. SMITH: Mr. Chairman and gentlemen, the brief of the Saint John Board of Trade goes well beyond the interests of the port and community of Saint John; and it also represents the view of the Board of Trade in Halifax. I would like to put that on record.

The ports of Saint John and Halifax, along with other Canadian ports, are interested in ensuring that the maximum volume of Canadian export and import traffic move through Canadian, rather than United States, channels. It is realized that Canadian foreign traffic moves through Canadian Atlantic ports principally during the period when the St. Lawrence River is icebound. This, of course, means that the capital investment of the federal government in the national ports of Saint John and Halifax is only partly utilized. We are now concerned lest even this partial utilization be cut down even further by recent developments. We shall discuss these developments under two captions:
A: Matters related to rail and road transportation, and B: Matters related to winter navigation on the Lower St. Lawrence River.

A. Matters related to rail and road transportation: 1. Foreign traffic moving through Canadian and U.S.A. Atlantic Ports is generally

[illegible]

accorded export and import rail rates. These rates are quoted by the railways on a basis usually lower than that applying on domestic rates. One of the reasons for this is that the rail haul to and from the ship side is only part of the total transportation cost of a shipment moving in foreign commerce. Another reason was cited by the Board of Transport Commissioners in 52 C.R.T.C. 293 at p. 308:

> "Export and import traffic is highly competitive between railways and ports in Canada and the United States of America. In most cases the railways have been compelled by port competition and in recognition of national policies to grant considerably lower rates on foreign traffic than are applicable on domestic traffic".

2. One of the most recent expressions of the National Policies referred to in the passage above can be found in Section 21 of the Canadian National Railways Act. 1955 (Chap. 29, 3-4 Elizabeth II), which reads as follows:

> "21. The Board of Directors shall so direct, provide and procure that all freight destined for export by sea that is consigned within Canada for carriage to National Railways either at point of origin or between that and the sea, shall, unless it has been specifically routed otherwise by its shippers, be exported through Canadian seaports."

3. Since the latter part of the 19th century, following bitter rate wars between the railways serving United States Atlantic Ports, a rate structure has evolved which has had as its goal the stabilization of import and export rates. This stabilization was achieved by the establishment of a structure which generally equalized rates as between some ports and also provided recognized differentials between others. This rate structure, although it has been modified over the years, is still in effect today. Because of the competition between United States Atlantic Ports on the one hand and Canadian Atlantic and St. Lawrence River Ports such as Montreal, on the other, this Parity and Related Rate structure was made applicable to the latter ports.

4. This was done so as to enable the traffic to be shared between U.S. and Canadian Railways serving their respective ports. In this connection, the Board of Transport Commissioners in 54 C.R.T.C. 195 on page 205 stated:

> "The whole aim of the Canadian and U.S. Railways with regard to these port relationships has been to establish rates which would enable the free flow of import and export traffic through all of these North Atlantic ports."

It seems clearly desirable that this situation should not be placed in jeopardy.

5. This means in effect, that export rates from, say Toronto to Saint John and Halifax, are

[illegible]

identical with the rates from the same origin to New York.

6. It will readily be seen that because of the greater rail distances between Ontario and Quebec points and Canadian Atlantic Ports, compared to New York and Boston, the parity of export and import rates is important to the Ports of Saint John and Halifax. This was pointed out by the Board of Transport Commissioners in 54 C.R.T.C. 195 at page 202:

> "While mileage is a governing factor with respect to domestic rates, it is largely ignored under the prevailing adjustments of import and export rates, and necessarily so if, to and from Saint John, West Saint John and Halifax, there is to be rate parity with the United States ports notwithstanding the much longer haul to and from these Canadian ports."

7. An indication of these differences in mileages and the consequent distance disadvantage of Canadian ports compared to U.S. Atlantic ports is given in the table below:

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DISADVANTAGE IN RAIL MILEAGES OF THE PORTS OF HALIFAX AND SAINT JOHN COMPARED TO UNITED STATES ATLANTIC PORTS

Between		Windsor, Ont. Mileage Disadvantage of	
And	Miles	Halifax	Saint John
Halifax	1329	-	(A)296
Saint John	1033	296	-
Portland	853	476	180
Boston	722	607	311
New York	627	702	406
Philadelphia	651	678	382
Baltimore	629	700	404

Between		Toronto, Ont. Mileage Disadvantage of	
And	Miles	Halifax	Saint John
Halifax	1104	--	(A)294
Saint John	810	294	--
Portland	628	476	182
Boston	578	526	232
New York	500	604	310
Philadelphia	524	580	286
Baltimore	502	602	208

(A) - Advantage.

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Between		Niagara Falls, Ont.	
		Mileage Disadvantage of	
And	Miles	Halifax	Saint John
Halifax	1181	--	(A)280
Saint John	901	280	--
Portland	705	476	196
Boston	501	680	400
New York	418	763	483
Philadelphia	443	738	458
Baltimore	421	760	480

(A) - Advantage

8. It is evident from the above table that the parity rate structure is of assistance in the routing of traffic via Canadian ports. This was borne out by the evidence given by the railways in a recent case before the Board of Transport Commissioners involving import and export rates (77 C.R.T.C. 339). The judgment of the Board in this case contains the following passage at page 344:

> "The principal evidence of the railways was that the proposed application of Item 220-A was to maintain the continuity of the rate parity between Canadian and United States ports; that such parity was of vital importance to Canadian ports, railways and the shippers and that its retention provided the only justification for the lower rates than on domestic traffic and for the longer hauls involved."

9. It is against this background that concern is felt by these ports at some recent developments which have taken place and which tend to upset the rate structure. These developments are directly traceable to the growth of highway carriage between United States Atlantic Ports and Canadian points in Ontario and Quebec. It has already been pointed out that the rail mileages between Canadian Atlantic ports and the principal points in the central provinces are considerably greater than those between United States Atlantic ports and these points. An even more adverse situation pertains to highway mileages. This is illustrated in the following table which shows road distances between Toronto, Windsor and Niagara Falls, and Halifax, Saint John, Portland, Boston, New York, Philadelphia and Baltimore.

DISADVANTAGE IN HIGHWAY MILEAGES OF THE PORTS OF HALIFAX AND SAINT JOHN COMPARED TO UNITED STATES ATLANTIC PORTS

Between		Windsor, Ont.	
		Mileage Disadvantage of	
And	Miles	Halifax	Saint John
Halifax	1451	--	(A)261
Saint John	1190	261	--
Portland	776	675	314
Boston	715	736	475
New York	636	815	554
Philadelphia	593	858	597
Baltimore	529	922	661

(A) - Advantage.

Between		Toronto, Ont. Mileage Disadvantage of	
And	Miles	Halifax	Saint John
Halifax	1217	--	(A)261
Saint John	956	261	--
Portland	624	593	363
Boston	563	654	302
New York	484	733	223
Philadelphia	493	724	232
Baltimore	468	749	207

Between		Niagara Falls, Ont. Mileage Disadvantage of	
And	Miles	Halifax	Saint John
Halifax	1299	--	(A)261
Saint John	1038	261	--
Portland	544	755	494
Boston	483	816	555
New York	404	895	634
Philadelphia	413	886	625
Baltimore	388	911	650

(A) - Advantage

10. In addition to the highway distance advantages which United States Seaboard Ports have over Canadian Atlantic Ports, other factors conduce to the growth of trucking services between U.S. Ports and Canadian central points. Amongst these factors are the existence of high quality highways built, in many cases, with U.S. federal

funds; the absence of Spring weight restrictions on trucks and the general higher weight allowances which are possible on traffic moving over high quality roads. It should also be pointed out that highway carriage will be much more extensive between pairs of cities such as New York and Toronto with their heavy concentration of population than it will be between, for instance, Saint John or Halifax and Toronto.

11. It is not surprising, therefore, that relatively more favourable truck rates are available on import and export traffic between Toronto and New York than between Toronto and Canadian Atlantic Ports. This situation has led the railways to take steps designed to protect themselves against the encroachment by the trucking industry on import and export traffic between points in Central Canada and U.S. seaboard ports where highway competition is particularly strong.

12. Two such steps are clearly distinguishable: (1) The publication by the railways of truck-competitive export and import rates which are more favourable than the regular Parity and Related Rates: (2) The introduction in March 1959 of advantageous trailer-on-flatcar ("piggyback") rates between Toronto and New York.

13. Appendices "A" and "B" to this submission illustrate by way of a few examples the situation referred to in paragraph 11. Appendix "A" deals with import traffic, while Appendix "B"

concerns itself with export movements.

14. It will be seen by reference to Appendix "A" that the railways have had to publish truck competitive rates from New York lower than the rates from Canadian Atlantic Ports on commodities such as cocoa beans, green coffee, Carnauba wax, canned pineapple and others.

15. Appendices "A" and "B" also show that the railways, in order to cope with growing highway competition, have introduced a number of trailer-on-flatcar rates between New York and Toronto which are either lower than otherwise prevailing rates and/or have more favourable minimum weights. Commodities illustrating this situation are, in addition to some of the commodities mentioned in paragraph 15, the following in Appendix "A": Cocoa powder, dried fruit, plate glass and facing or floor tile. Corresponding illustrations in Appendix "B" are: Brass, bronze, copper, etc., articles, cement compount, cartridge cases, concrete or masonry plasticizer, and antimonial lead.

16. As pointed out earlier in this submission, the existence of lower truck rates and the publication of truck competitive and trailer-on-flatcar rates by the railways on export traffic between U.S. Seaboard Ports and Central Canadian points progressively weakens the Parity and Related Rail Rate Structure.

17. Concern at these developments are expressed earlier this year to Canadian National

Railways who are the only Canadian Railways participating in the trailer-on-flatcar movement between New York and Toronto. Canadian National took the stand that, unless they took part in this movement they could not regain business which had been lost to highway carriers. Canadian National stated that it was not their intention to disturb the port relationships except where competitive conditions forced them to depart from this relationship.

18. In the light of the foregoing developments the conclusion can therefore be drawn that the Parity Rate Structure cannot now by itself assure the movement of Canadian exports and imports through Canadian Ports.

19. This is particularly serious because it will tend to increase the already substantial diversion of a vast volume annually of Canadian export and import traffic to United States Atlantic Ports. It should be pointed out of course, that this diversion is only partly caused by truck competition.

20. An impression of this loss of Canadian export and import traffic can be gained from Appendix "C" which shows that for 1958 exports to the value of $156,242,575 were lost to Canadian Ports by being routed through United States channels. In the same year imports valued at $271,806,855 moved through U.S. rather than Canadian ports.

21. Appendix "D" focuses more closely

the situation pertaining to export shipments by showing the percentage of specific commodities lost to Canadian ports.

22. It will readily be appreciated that if a substantial portion of this diverted traffic were recaptured for Canadian ports, the effect would be great on the port economies concerned. It is well known, of course, that the operations of the ports of Halifax and Saint John loom large in the economies not only of these two cities, but indeed, in the economies of Nova Scotia and New Brunswick.

23. The direct relationship which exists between an expansion in waterborne commerce and other economic expansion is well recognized elsewhere. For instance, in a study made recently in Virginia, it was shown that an increase of 56 per cent in the value of waterborne commerce through the ports of that state resulted in an increase of 59 per cent in retail sales to wage earners in Virginia whose employment was from waterborne commerce. The period involved was four years.

24. It has been estimated that the earnings of dock workers at Canadian Atlantic ports amount to approximately $9,000,000 per year. If it is assumed that each dollar earned by these workers generates two dollars of additional income within the consumption area, a total of $27,000,000 of purchasing power is created by dock workers' wages alone.

25. The importance of the Atlantic

ports is well recognized by the governments of the Atlantic provinces. At the conference of the Premiers of these provinces which took place in Charlottetown, P.E.I. on September 23rd and 24th, 1957, the Premiers unanimously adopted the following resolution:

> WHEREAS the aggregate dollar value of Canadian overseas exports and imports not routed through Canadian ports in 1955, the latest year for which complete statistics are available, was $350,000,000 and;
>
> WHEREAS the situation is one of particular concern to the Provinces of the Atlantic Region; and
>
> WHEREAS the British Preferential Tariff, which provides a lower rate of import duty on goods routed through a Canadian Sea or River Port, has proved to be an incentive which has resulted in almost all imports from the United Kingdom and other Commonwealth countries being shipped through Canadian ports;
>
> BE IT THEREFORE RESOLVED that this conference of the Premiers of the Atlantic Provinces urge the federal government to join with the Atlantic Provinces in studying without delay the possibility of providing appropriate incentives to Canadian exporters and Canadian importers from non-Commonwealth countries designed to channel the maximum

volume of export and import traffic through Canadian ports.

Since this resolution was passed, the trend of import shipments routed through U.S. ports has changed as is apparent from Appendix "C". It is still true, however, that the loss to the U.S.A. of import traffic from England and Commonwealth countries is considerably less significant than the loss of such traffic from countries where the British preferential tariff does not apply.

26. We have endeavoured to show that the Port Parity Rate Structure is being disturbed by the publication of competitive rates on export and import traffic between Canada and United States Atlantic Ports without the simultaneous publication of these rates to and from Canadian Atlantic ports. We have further attempted to show the substantial diversion of Canadian export and import traffic to U.S. Atlantic ports.

27. It is apparent to the ports of Saint John and Halifax that a means of safeguarding traffic for these ports must be found. It is respectfully recommended that the Royal Commission endorse the proposal made by the Premiers of the Atlantic provinces as contained in the resolution shown above. It is further recommended that the Commission itself formulate the incentives envisioned in this resolution. The ports of Halifax and Saint John feel that the incentives proposed in the resolution will do much to safeguard Canadian export and

import traffic not only for Canada's ocean ports, but also for the railways serving them.

B. Matters related to winter navigation on the Lower St. Lawrence River.

28. In paragraph 1 of this brief reference was made to the fact that Canadian foreign traffic moves through Canadian Atlantic Ports principally during the period when the St. Lawrence River is ice-bound.

In paragraph 24 reference was made to the waterfront earnings generated by this winter traffic, earnings which, if they would disappear, would cause a fatal blow to the economy of the Atlantic Seaboard Ports and to the Maritime provinces.

The recent announcement of the Minister of Transport, to the effect that ice-breaker service will be made available by the Federal Government for the specific purpose to make winter navigation in the Lower St. Lawrence River possible, indicates that this occurrence will make itself felt substantially in the Atlantic region this winter.

29. We submit that winter navigation on the Lower St. Lawrence River will cause a chain reaction that must eventually produce the loss of all winter traffic to Canadian Atlantic ports. There can be no reasonable doubt that the competition between the ports of Quebec and Montreal will cause business interests in Montreal to urge the federal government to extend the service of navigational aids upriver, so that Montreal too will be an ice-free port during the winter season. Undoubtedly,

similar requests will then be heard from other up-river ports in the years ahead.

30. In addition to the great damage that will be caused to wage earner and business interests in the Maritimes, it should be obvious that the Canadian railways must experience a substantial drop in their freight earnings when the now existing rail traffic between Atlantic Seaboard Ports and inland points, such as Montreal and Quebec gradually disappears, as it will over the years that are immediately ahead.

31. Already this winter, when winter navigation to Quebec will become a reality, this loss of rail income will become evident and it will be accentuated by the fact of truck competition between such points as Montreal and Quebec, and vice-versa.

32. In view of the decision of the federal government to provide the required facilities for winter navigation on the Lower St. Lawrence River, with full knowledge of the extensive damage that must accrue to Atlantic Seaboard Ports and the Maritime Provinces, it becomes questionable if the Government has developed a long range policy of harbour utilization, taking into account the interests of St. Lawrence River Ports, as well as Atlantic Seaboard harbours. In view of the fact that on one hand for a long number of years, the government has constructed harbour facilities in Atlantic ports at a cost of many millions of dollars, and on the other, now will allow these highly costly installations

to deteriorate, since the traffic for which they were built must disappear, there seems to be no long range policy such as we referred to above. This contradiction is indicative of the fact that the Government does not have a long range policy for port utilization. There has been no explanation whatsoever for the fact that even now the government is effecting extension of port facilities in Atlantic harbours, presumably aimed at the adequate handling of winter traffic, whilst simultaneously it is opening up competitive winter traffic in the St. Lawrence River.

33. In view of the above we respectfully recommend that the Royal Commission urge the federal government to draft a national policy for port utilization in which the interests of Atlantic ports and St. Lawrence River ports are equally represented. Furthermore, it is recommended that the Royal Commission urge the federal government to make such arrangements as will be necessary for the purpose of making those who profit by navigational aids on the Lower St. Lawrence River pay for the actual cost of the service.

Respectfully submitted on behalf of the Saint John Board of Trade.

Now, Mr. Chairman, this is our brief and perhaps if you will allow me one more minute, I would like to add a few verbal remarks.

THE ACTING CHAIRMAN: By all means.

MR. SMITH: Thank you, sir. Reference was made by the Premier of the province of New Brunswick in the presenting of the brief from the

province the matters which might ease our competitive position in matters of transportation and the freight rates involved. In Saint John the Board of Trade wholeheartedly endorses the proposal of the Chignecto Canal. We believe that the Chignecto Canal would offer a medium of deep water transportation which would extend the freight barriers that now exist, and I would say that every single industry in the Atlantic region has freight barriers in order to move its goods westward. It would extend the freight barriers and it would, in effect, provide a better medium of transportation, which we most urgently need.

That is all, Mr. Chairman.

THE ACTING CHAIRMAN: Thank you, Mr. Smith. I can only say, after hearing your submission and listening to the Premier's, I can only wonder at my own temerity in ever having agreed to act on the Commission and the problems involved. I can only say to you that I trust that we will at least have your prayers in the efforts we make to settle these problems.

MR. SMITH: You certainly have.

THE ACTING CHAIRMAN: Are there any other remarks? Mr. Cooper?

MR. COOPER: Mr. Chairman, the submission just presented by Mr. Smith will be marked as Exhibit 7 for thepurposes of the record.

THE ACTING CHAIRMAN: Are there any other questions?

COMMISSIONER MANN: Mr. Smith, at paragraph 4

on page 2 of the submission made on behalf of the Atlantic ports, you have a quotation there, and my printed copy here shows the quotation marks beginning immediately preceding the words, "the whole aim," but my copy doesn't show the end of the quotation marks, and would you please confirm my understanding of this that there should be quotation marks after the word "jeopardy"?

MR. SMITH: That is right.

COMMISSIONER MANN: And again the same thing -- I am doing this to keep my records straight -- in paragraph 6 we have the same situation?

MR. SMITH: Yes, "these Canadian ports."

COMMISSIONER MANN: And if you will kindly turn to Appendices A and B of your submission, there are a number of abbreviations and reference marks used which I think if they were explained, perhaps, by way of a supplementary letter that you might wish to file, that would help our staff in assessing the situation. I am referring to such matters as TLM, which is truck load minimum weight, and CLM, and there are reference marks in Appendix B, for instance, marked lower case (a).

MR. SMITH: That is right.

COMMISSIONER MANN: I think it would be most helpful if that could be furnished to our staff.

MR. SMITH: I must confess, Commissioner Mann, to a rather clumsy error by our printers who, when they assembled this brief for us, they

didn't include the second page of Exhibit A, so with your pleasure this will be mailed out to every single Member of your Commission and to your Secretary. The explanations are, of course, that TLM means truck load minimum weight; TVM means trailer van minimum weight; CLM means carload minimum weight and TOFC means trailer on freight car. Does that answer your question?

COMMISSIONER MANN: Absolutely. I have one other question; on page 9, paragraph 31, you state, "Already this winter, when winter navigation to Quebec will become a reality,"; I think it would be most helpful if you could indicate (a) who in your knowledge, what steamship companies are providing such winter service or have announced their intention to provide such a winter service and, (b) whether this is within your knowledge, you could give us an indication of the number of sailings that have been announced for this coming season?

MR. SMITH: Well, going from memory, Commissioner Mann, the companies involved are the Lauritzen Line who, I think, originated the whole thing last year, and there is the Canadian Pacific Steamship Company and the owners of the vessel by the name of Eskimo.

COMMISSIONER MANN: Canada Steamship Lines?

MR. SMITH: Yes, I think so, and in accordance with the reports there are between 22 and 24 sailings which have now been announced

as compared to only one vessel sailing last year. Does that answer your question?

COMMISSIONER MANN: Yes. Can I put one supplementary question; is there any estimate available as to the capacity of the sailings in terms of cargo? How much cargo could these sailings lift, say, on an average basis?

MR. SMITH: Well, if you check, for the sake of argument, what we call a steamer, which is 6,000 tons and you get 10 per cent and if you multiply that with 22 or 24 sailings you get 132,000 or 200,000 tons I would say which could easily be lifted, and if you would like to multiply that with the figure of $5, which is the average earnings for dock workers handling it in the ports of Halifax and Saint John, you will have a realistic figure.

COMMISSIONER MANN: Thank you very much.

COMMISSIONER PLATT: I am rather ignorant of water transportation and even to some extent of the geography of this part of the world. We are, of course, in Western Canada interested in the movement of grain out of the St. Lawrence waterway and the development of the port of Baie Comeau. If this canal that you were mentioning were constructed, would it be possible for lakers to go clean to the port of Saint John during the summer season?

MR. SMITH: I would say so, sir, yes.

COMMISSIONER PLATT: And would this be a much more expensive proposition than going to Baie Comeau?

MR. SMITH: That is hard to answer, sir, because whenever a canal is suggested there is often confusion, as you know, between saving in time as compared to saving in operational costs; they are two different things. Now, I would say that if the canal were built to suit vessels such as you mentioned, if the cost of the canal wouldn't be prohibitive, then I would say you have a good chance of getting cheaper operational costs through the Chignecto Canal than sailings around about Nova Scotia. Is that what you want?

COMMISSIONER PLATT: Yes.

THE ACTING CHAIRMAN: Is Portland a factor on the exporting of wheat as a port?

MR. SMITH: Yes, to some extent.

THE ACTING CHAIRMAN: But not very much now?

MR. SMITH: No.

THE ACTING CHAIRMAN: Not as much as it was?

MR. SMITH: No, I don't think it is.

THE ACTING CHAIRMAN: Any other questions?

MR. MAURO: Following some of the questions that have been asked, we received reports concerning the lower St. Lawrence ports being kept open this winter, and subsequently we received a report which purported to be a clarification by the Minister of Transport to the effect that only Baie Comeau could be receiving this service this year for the movement of goods for the development of that general area.

Now, my first question is were our reports correct; does this change the information which you gave to Mr. Mann that there are only 22 to 24 sailings announced for this winter and is the cargo to be for export?

MR. SMITH: I understand, sir, yes; the reports are somewhat contradictory, and you may have noticed even last Saturday there was a report which again contradicted the previous information and, of course, for reasons which you realize our report was produced before Saturday, but there has been no contradiction whatever for the number of sailings from the port of Quebec, and I think that is still correct.

THE ACTING ÇHAIRMAN: Are there any other questions?

COMMISSIONER MANN: I might just ask for a clarification of Mr. Mauro's question. I think Mr. Mauro referred to -- correct me if I am wrong -- to the effect that ice breaker service was to be provided only for the Lower St. Lawrence ports and including Quebec City; am I correct in that?

MR. SMITH: That is quite correct.

COMMISSIONER MANN: Is it the fear of your group that, for instance, one of the vessels of the Lauritzen Line, Canada Steamships, Canadian Pacific Steamships could be caught in ice just below Quebec City and icebreaker assistance would be furnished not by the Montcalm, but would be

furnished also by the Lower St. Lawrence stationed icebreaker; is that the fear you have?

MR. SMITH: Yes, we have that apprehension; we can hardly say it could be prevented. If the icebreaker didn't come through, but it is the logical thing that should and could come to the assistance of the vessel stuck in the ice.

THE ACTING CHAIRMAN: Any other questions?

MR. COOPER: I have one or two questions, Mr. Chairman. I refer you, Mr. Smith, to paragraphs 18 and 19 on page 6. Paragraph 18 reads:

> "In the light of the foregoing developments the conclusion can therefore be drawn that the Parity Rate Structure cannot now by itself assure the movement of Canadian exports and imports through Canadian ports."

Then paragraph 19:

> "This is particularly serious because it will tend to increase the already substantial diversion of a vast volume annually of Canadian export and import traffic to United States Atlantic ports. It should be pointed out of course, that this diversion is only partly caused by truck competition."

Stopping there for a moment, I do not quite understand and perhaps you can clear the matter up for me but Appendix "D", with respect

to that statement, may I put it this way: Has there already been a substantial diversion to United States ports as a result of the competitive rates which have been put into effect by the railways?

MR. SMITH: The answer is yes, sir.

MR. COOPER: Now, on Appendix "D" is shown percentages of export movements proceeding via United States and via Canadian ports. I see there comparing 1955, 1956 and 1957 with 1958 that the volume of commodities going through Canadian ports appears to have remained constant or to have increased percentagewise. Is that correct? For instance, flour of wheat in 1955 was 88.4 per cent through Canadian ports and in 1958, 91.6 per cent through Canadian ports.

MR. SMITH: Yes, that figure is quite correct if you read it.

MR. COOPER: And similarly with whisky, from 62.1 per cent in 1955 to 67.4 per cent in 1958.

MR. SMITH: Well, it is a divided picture. If you look again, for instance, the line further down for leather, 1955 Canadian ports 46 per cent, 1958, 42 per cent.

MR. COOPER: That is correct, but I think taking them down the list the general impression I received is that the share of the business going through the Canadian Atlantic ports is up rather than down. On the other hand, you have shown here Canadian ports and I wanted to be clear that you include Montreal there.

MR. SMITH: Yes, all Canadian ports --

this refers not only to Atlantic ports but to all Canadian ports.

MR. COOPER: Have you any separate figures with respect to Saint John and Halifax?

MR. SMITH: No, they are not published anywhere.

MR. COOPER: Have you ever segregated them?

MR. SMITH: It is not possible to segregate them, I am afraid.

MR. COOPER: So therefore Appendix "D" itself referred to all Canadian ports and may not be a true picture showing an increase in traffic percentagewise applicable to Saint John and Halifax?

MR. SMITH: Would you get some further clarification from Appendix "C"? It gives you the overall figures to all countries, export of Canadian products to overseas countries. If you compare the years say 1953 with 1958, or if you prefer, 1954 and 1958, it does not matter too much which one you take, then I think there is some clarification there. Exports to overseas countries via United States ports you will find have increased from $136 million in 1954 to $165 million in 1958.

MR. COOPER: Where is your $165 million?

MR. SMITH: $165 million is 1958 to all countries -- the second column from the left.

MR. COOPER: That is via United States?

MR. SMITH: Yes.

MR. COOPER: The difficulty I have and perhaps you can clear it up for me, is exactly in

comparison with these percentage figures, the percentage figures here give one picture in Appendix "D" and these dollars figures in Appendix "C" a different picture.

MR. SMITH: I do not think the picture is entirely different. Is Mr. Armitage here?

MR. ARMITAGE: Yes.

MR. SMITH: Perhaps Mr. Armitage could clarify this for you.

THE ACTING CHAIRMAN: Mr. Armitage is of the Transportation Commission?

MR. ARMITAGE: Yes. Appendix "C" as mentioned is the total figures of traffic moving by United States ports, all of the traffic either exported or imported to or from Canada, and the percentages are the percentages of the total traffic moved through United States ports. Is there any other point that I can answer specifically? I am not just sure what you want.

THE ACTING CHAIRMAN: Might not the increase in dollars be an increase attributable to cost or expanding economy of the country whereas the increase in percentage would indicate the true situation?

MR. ARMITAGE: Yes, in my opinion I would say that is correct.

MR. COOPER: The percentage figures in Appendix "D" represent the true situation?

MR. ARMITAGE: Yes, but I think there is a point here that Appendix "D" only shows the

[illegible]

commodities which have been used over the years, and I do not think it reflects all of the commodities that may be on an increasing scale moving from United States ports. Perhaps it falls down in that respect, but I cannot suggest how we can improve it.

MR. COOPER: Well, I suggest that if you wish you could file an addition to Appendix "D" to show other commodities which might show a different percentage.

MR. SMITH: We would certainly do that.

THE ACTING CHAIRMAN: Any further questions?

MR. COOPER: I would just like to ask Mr. Smith's assistance if he is in a position to give it as to what steps he suggest might be taken to restore parity with respect to import and export traffic as between the United States and Canadian Atlantic ports assuming that parity has been disturbed by competitive rates.

MR. SMITH: Well, we do not assume that, sir, I think we proved it in our brief. To suggest remedies is hardly within our own province. We may be of some help in further defining and analyzing the problem and to that extent we are certainly prepared to go, but I think to find a remedy for the correction of the deterioration of the parity rate structure will need much more than the prayers of the Chairman of your Commission.

MR. COOPER: That is a problem which you are content to leave to the Commission?

THE ACTING CHAIRMAN: You are willing

diagnose but not prescribe?

MR. SMITH: Precisely, sir.

THE ACTING CHAIRMAN: Is there anyone who wishes to ask any further questions?

COMMISSIONER MANN: Mr. Smith, I do share to some extent Mr. Cooper's difficulty with regard to the appendix he has pointed out to you that for the commodities which he has mentioned there has indeed been an improvement in the situation with regard to diversion to the United States for the years 1955 to 1958. While Mr. Cooper was looking at these appendices I also was looking at them, and I note with regard to meats, engine boilers, automobiles, automobile parts, copper tubing and cellulose products the trend is the reverse and there is a deterioration. Now, that is very puzzling and I wonder for the clarification of the Commission you might like to file at some stage, at your convenience, a little memorandum showing some of the factors which enter into this diversion process, what are some of the reasons by which the Atlantic provinces lose traffic to the United States ports in addition to the parity or to the rate situation that you had mentioned in your brief.

MR. SMITH: We shall be very glad to do that.

THE ACTING CHAIRMAN: Well, when you do that, Mr. Smith, would you also without prescribing, we would like to have all the help we can possibly get from men who know and who have

studied the situation and it might be you would have some idea of some remedy that we might consider. If you could do that it would be helpful, because we have a tremendous job to do and we need the help of every well thinking Canadian. The one thing we want to do is maintain the unity of Canada.

If there are no more questions then I will thank you very much, Mr. Smith. We will adjourn now until 2 o'clock.

--- Luncheon recess.

--- Upon resuming at 2 p.m.

THE ACTING CHAIRMAN: Well, gentlemen, we will come to order, please.

I think the first submission that we have got is from the New Brunswick stove industry.

I think, gentlemen, while we are about finished, or will be tomorrow, with New Brunswick, that the Press should indicate that we would be glad to have as many copies as possible of submissions, not limited to just a copy for each member of the Commission, because there are interested parties like the railway's counsel; and, if possible, I think everybody should have a copy of the submissions before them.

THE RECORD STOVE & FURNACE COMPANY LIMITED
ENAMEL AND HEATING PRODUCTS LIMITED
THE ENTERPRISE FOUNDRY COMPANY, LIMITED

Appearances:

Mr. C.M.P. Fisher - The Enterprise Foundry Company

Mr. F. R. Rand - Enamel & Heating Products

EXHIBIT NO. 8: Brief of
The Record Stove & Furnace Company Limited
Enamel and Heating Products Limited
The Enterprise Foundry Company

MR. FISHER: I, Mr. Chairman, represent The Enterprise Foundry Company, Limited. This brief covers three plants -- Enamel and Heating Products Limited and the Record Stove and Furnace Company Limited of Moncton.

In the preparation of this I have had associated with me Mr. F.R. Rand, Vice-President of Enamel and Heating Products Limited, who is present here, and Mr. Mills of the Record Stove and Furnace Company Limited, who is unable to be here today.

May I say this, in starting, that the brief deals particularly with the stove industry and its relation to transportation which is practically entirely by railway transportation.

Mr. Chairman and Commissioners of the Royal Commission on Transportation. This brief applies to the operations of three firms manufacturing cooking and heating equipment, namely: The Record Stove and Furnace Company Limited of Moncton, Enamel and Heating Products Limited of Sackville, The Enterprise Foundry Company Limited of Sackville. These concerns have been in business since approximately 1852 to 1872 and have shown growth and development over the years. In most cases throughout the existence of the firms they have been owner operated and this is the case at the present time, to a large degree. The employees involved average about 800 men and the value of the products sold amounts to several millions of dollars. In the case of the Sackville firms the community has grown up and developed based on these two industries so that a great proportion of the population depends directly for their living on the success and continuation of these firms. It might be

said that the very existence of the town and surrounding community itself largely depends on the prosperity of these two industries. Being able to carry on and prosper would mean over two million dollars in payroll being put in circulation directly in the community to help the Atlantic economy. It can be said that in the Sackville district a population of approximately 4,000 people are concerned with the welfare of these two industries.

The products of the three firms largely parallel one another and consist of domestic ranges built for burning all fuels, that is: Coal, wood, electrcity, gas and oil. The same variety of equipment is supplied (with the exception of electricity) in space heating and warm air furnaces and air conditioning.

The products are varied to suit the domestic requirements of all types of homes and all types of localities. The market to which they cater is Canada. The Atlantic provinces contain approximately 10 per cent of the total population of Canada, so it follows that about 90 per cent of the potential markets of these firms is outside of these provinces.

THE ACTING CHAIRMAN: These three firms are independent firms?

MR. FISHER: Yes, independent firms.

THE ACTING CHAIRMAN: And consequently what you are presenting is a brief on behalf of the industry, so to speak?

MR. FISHER: Yes.

THE ACTING CHAIRMAN: Because the three firms are competing with one another?

MR. FISHER: Very much so.

THE ACTING CHAIRMAN: But they are all interested in New Brunswick?

MR. FISHER: Quite.

THE ACTING CHAIRMAN: Go ahead, Mr. Fisher.

MR. FISHER: A large part of our business is done west of the Maritime provinces. Freight on these outward shipments is therefore of great importance to us, especially where we are selling in the very highly competitive markets of Central and Western Canada.

We have expended capital and built up our organizations to reach out into the markets beyond the Atlantic provinces and we, therefore, depend on these markets. It is there that the growth in population is taking place and it is there that we must maintain and increase the outlet for our production if we are to preserve our businesses which mean employment to so many people and a life-time of effort and accumulated investment.

The companies submitting this brief are the only ones in the Maritimes in this industry who do business in other sections of Canada. The firms with whom we compete are largely situated in the provinces of Ontario and Quebec and there are 59 of them there. In recent years several new competing firms have been established in Western Canada. In all of Canada there are 79 firms,

[illegible]

only five of which are in the Maritimes. The Ontario and Quebec firms are centrally located in the heart of the wealthiest and most densely populated part of Canada. In order to secure sufficient volume to remain in business, it is necessary for us to sell a substantial part of our output in the provinces of Quebec and Ontario in addition to the West and Maritimes and, as can readily be understood, competition there is very keen and each year becomes more difficult. Throughout the years a large volume of sales have been built up by us in those central provinces, on the Prairies and on the Pacific Coast.

The Western Canadian market has always been of great importance to our industry. We have been able to reach this market in competition with Central Canadian manufacturers because of a favourable rate structure. It is vital that nothing be done to jeopardize the ability of the Maritime stove industry to reach its Western Canadian customers.

Our shipments for Western Canada go in carload lots and they are largely class 45 although there are some items which are class 55.

Quebec and Ontario, which it is estimated provides approximately 65 per cent of the purchasing power and accounts for 80 per cent of the manufacturing in Canada, is an essential market for us if we are to maintain and develop business. In order to partially compete with

[illegible]

manufacturers in the two named provinces, we have to equalize freight on certain points in those provinces.

Our shipments to Ontario and Quebec are made mostly in L.C.L. lots, the goods move by rail and to a great number of towns and cities in those provinces. They are under class 85 and 70. During recent years we have arranged with the railway for a rate on a 12,000-lb. car as compared with a 24,000-lb. one. This is helpful.

Statement "A" attached gives a comparison of rates to a few places in Ontario and Quebec from Carleton Place, Ontario and Sackville, N.B. The result shows that to these points for the same weight of units shipped, an average cost of 39 per cent more is paid from Sackville, N.B. than from a central Canada shipping point, to get into this extensive and important market of Ontario and Quebec. While these class rates show up the very adverse conditions under which we operate in competing in these large markets, the actual condition is worse than it here appears. This is due to many competitive rates and agreed charges which are in effect in these central provinces, and the multitude of trucking services available.

As only about 50 per cent of the total domestic rail tonnage is carried at Normal or Class and Commodity rates, and a very considerable portion of the total tonnage in Canada is in the Central provinces; and a great part of their tonnage is

carried at competitive rates or agreed charges; therefore, it follows that the large burden of normal rates are carried and paid by the so-called fringe areas of Canada, namely the East and the West.

Today prompt delivery, such as is now available on carload shipments due to the considerable improvement the railways have made in carload deliveries, is a very decisive factor in obtaining business. Dealers wish to turn inventory over rapidly, so small stocks are maintained. This inventory condition works very much against a manufacturer in the Atlantic provinces as compared to a manufacturer in Ontario and Quebec where they have almost, or less than, 24 hour delivery service by transport and in some areas quick delivery by rail. The large majority of our shipments to these points go L.C.L. Very little carload. This factor is a great handicap to the Maritime manufacturers as it takes anything from a week to two weeks for goods to reach the Quebec and Ontario market from our shipping points. As a result of this condition, it has been found necessary to carry warehouse stocks at certain points in these provinces. This method of operation is costly but necessary if we are to retain our customers.

As an example of the extra cost of a Sackville company doing business in the province of Quebec compared with a Montreal company, we give the following figures for a recent month, made

up of freight equalization, warehousing and cartage -- $2,993.

If that was a typical month - the extra amount a Sackville company would pay due to transportation conditions over a Montreal company, would be $35,916 in a year for doing business in the province of Quebec. Shipments from Moncton are on approximately the same rates as Sackville, being only 30 miles apart. I stress that as extra transport conditions.

In passing it might be mentioned that a very large part of the so-called Canadian stove industry is now American owned and controlled. Some of these plants were built by U.S. interests. Some plants are those of old established Canadian firms who in recent years have sold out to U.S. interests who now operate them under the former firms' names. These plants are all situated in Ontario and Quebec and are closely allied with their American parent firms. It is estimated that 80 per cent of the Canadian electric range business is being done by these firms. In the gas range business over 80 per cent of the units sold in Canada are accounted for by importation from U.S. and from the above mentioned U.S. interests producing in Canada.

The raw materials which we bring in are heavy and amount to considerable tonnages. These materials originate largely in Ontario, such as: Pig iron, sheet steel, coke, bolts, nuts, springs, copper, electric and gas range supplies, enamelling

frit and hundreds of accessories, also many items from mid-West United States. Practically none of our supplies and raw materials are available in the Maritime provinces - exceptions being coal, oil, lumber, scrap and cartons.

The group of heavier tonnage items, such as steel sheets and pig iron we obtain largely from Hamilton and Sault Ste. Marie, with some tonnage coming from United States points.

Statement B attached shows a comparison between one manufacturer in Toronto district and one in Sackville, based on the same quantities of material. Some interesting figures show up from this.

The freight on steel sheets from Hamilton to Toronto is .19 per 100 pounds; and to Sackville .95 cents - a difference of .76 cents or $15.20 per ton. On a quantity of 3,000 tons in a year Sackville pays extra over Toronto $45,600.

Steel sheets from Hamilton to Montreal .52 for 4.1/2 months of the year. Forty-eight cents for 7.1/2 months - so on this basis the extra Sackville pays over Montreal on these two rates is .43 and .47 which, on 3,000 tons, is $25,800 and $28,200.

The .95-cent rate went into effect about a month ago, coming down from $1.05.

On pig iron, the rate from Hamilton to Toronto is $3.63 per ton, and to Sackville $15.22 showing an extra Sackville pays over Toronto of $11.55 per ton. On 800 tons per year Sackville

pays an extra over Toronto of $9,240 on this item.

May I add that these are not fictional changes, they are changes which are actually less than my own plant has brought in this year so far; they are quite conservative.

Pig iron - Hamilton to Montreal is $8.50 on a small 30-ton car commodity rate. No rate available on 50-ton car - and $5.17 on 50-ton car for 7.1/2 months of the year. On this basis the extra Sackville pays over Montreal on 800 tons is $5,376 and $8,040.

Other items, carload of smaller tonnages are: Enamel frit on which the rates from Oakville are per 100 pounds. Oakville is the shipping point to all of Canada.

Toronto .30; Carleton Place .92; Sackville $1.57. Moulding sand to Carleton Place per ton $7.35 - Sackville $9.40. Foundry coke per ton Hamilton to Toronto $1.88; Montreal to Carleton Place $3.50. Montreal to Sackville $6.

Statement "D" attached shows the L.C.L. rates from Toronto to Guelph, London and Sackville. We have a large movement of freight under Class 100 - 85 - 70.

A survey made a few years ago for a submission to the Board of Transport Commissioners showed that for a year the amount paid out for freight on these L.C.L. shipments and a few car-load items was double the total amount paid out

for freight on steel sheets, pig iron and enamel frit.

This will indicate the volume of materials moving in these classifications which average about $37 per ton over the two listed Ontario points Guelph and London, and approximately $50 per ton over Toronto. This condition applies to about two-thirds of our freight dollar value on incoming supplies. However, it is right to weight this by deducting from this two-thirds proportion, our coal and scrap freight, which we obtain in the Maritime provinces.

It would seem conservative to state that at least 50 per cent of our freight dollar value incoming, exceeds the above mentioned Ontario points by $37 to $50 per ton. This runs into a substantial figure.

The foregoing shows the extremely serious position in which our firms are placed in bringing in all materials used in the manufacture of our stoves and furnaces. We feel that the situation must be looked at from the point of view of comparison between competing companies for the business that is offering in Canada.

The continued existence of our industries is dependent on their relative competitive position with similar manufacturers in those more densely populated areas in Quebec and Ontario. Consideration of the matter should be on a comparative basis.

It seems to us that it is very much in the interest of the railways to do everything in their power to encourage and develop manufacturing industries in the Atlantic provinces. From such businesses they get a much greater proportional amount of traffic than from a concern of the same size in the central provinces. In other words, in a Maritime industry there is the long rail haul in on raw materials and a long outward haul on the finished product, plus the local haul. Furthermore, we feel very safe in stating, that the railways obtain a much larger percentage of our traffic than they do of competing industries in central Canada which generate short haul traffic particularly susceptible to truck carriage. Our own traffic also brings additional rail freight traffic which one might call secondary traffic, i.e. food, supplies, etc., for the community supported by our industry.

The railways of Canada were built, in part, with the idea of uniting all sections of Canada into an economic group to make Canada strong. All parts of Canada must be prosperous if Canada as a whole is going to be prosperous. Secondary industry is badly needed in the Atlantic provinces to round out our economy and to provide that great stabilizing influence, the weekly pay envelope, that maintains communities in prosperity. To accomplish this end not only do the present industries here need the opportunity but more industry needs to be developed, but for this

development there must be conditions suitable to the prospective and more importantly the present manufacturer so that he will be in a position to market his production economically and competitively in the large and broad markets of Canada. It seems, that due to the way in which freight rates have been increased since 1948, that is on a horizontal percentage basis, that the effect has been the reverse of the original idea of unity, namely, it seems to have resulted in a tearing apart of Canada and a great centralization of industry in Ontario and Quebec to the detriment of other provinces. We believe that this condition can only be overcome by removing the uneconomic and what appears unjust situation which now exists and which throughout the last many years has steadily worsened the situation of the producers in the Atlantic provinces.

If it should be that a national transportation policy is to be worked out, it seems to us that it should be made up of the necessary number of area policies which would give to each economic and geographic area the chance to grow and prosper. The Maritime Freight Rates Act resulting from a Royal Commission, we feel definitely established the fact that Maritime transportation is a national problem. Improvements were made in the situation by Maritime Freight Rates Act but unfortunately the movement of essential raw materials and supplies from West to East was omitted, possibly due to the fact

that at that time - 30 years ago, the situation did not apply as much as it does today. There are sound basic qualities to the M.F.R. Act but they need a realigning to fit into today's requirements.

To point up, that this matter of disturbed rate relationship is a very serious one, we bring to the Commission's attention that the freight rate increases have already contributed materially to the closing and dismantelling of one of the plants of the industries party to this submission. This plant manufactured cast iron enamelware with the principal markets outside the Maritimes. This possibility was repeatedly emphasized before the Board as well as the Royal Commission on Transportation. Once conditions force the closing and dismantelling of a plant it is then too late for relief. A repetition of this we want to avoid.

Three points stand out, it seems to us, very clearly from this brief:

First: The absolute need for a policy that will enable us to obtain materials which we incorporate in our product at a much lower cost. This to be at least equal to the Montreal basis.

Second: The need of transportation rates on our product to be such that we will be able to deliver them to the Ontario and Quebec markets at a cost no greater than from Montreal.

Third: That nothing more be done to further

jeopardize our ability to reach our Western Canadian market.

As each day passes, we believe there is a steadily growing awareness by the people of all sections of Canada of the acute problems of the Maritimes, and with it a strong desire to do something about it before it is too late. More and more urgent are the problems becoming. Take for example the coal situation. This has now assumed national proportions. Only far reaching and drastic action will adequately deal with it. And so must bold steps soon be taken to maintain what other industries we have.

THE ACTING CHAIRMAN: Thank you, Mr. Fisher. The tables that are attached to your submission can be included in the record.

MR. COOPER: Yes, please.

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STATEMENT A

Class 85 - August 1st, 1959

TO:	From Carleton Place, Ont. Including P & D	From Sackville, N.B.	Extra for P&D	Total From Sackville
Sherbrooke, P.Q.	1.83	1.60	.30	1.90
Drummondville, P.Q.	1.83	1.67	.30	1.97
Quebec	1.87	1.47	.30	1.77
Joliette	1.83	1.67	.30	1.97
Shawinigan	1.83	1.67	.30	1.97
St. John's	1.63	1.67	.30	1.97
Farnham	1.63	1.67	.30	1.97
Lachute	1.31	1.84	.30	2.14
Kitchener	1.87	2.56	.30	2.86
London	1.97	2.75	.30	3.05
Windsor	2.27	3.21	.30	3.51
Chatham	2.15	3.03	.30	3.33
Peterborough	1.50	2.09	.30	2.39
Brockville	.87	1.91	.30	2.21
Renfrew	.87	1.91	.30	2.21
	25.26			35.22

equals plus 39%

STATEMENT B

STEEL SHEETS

FROM HAMILTON, ONTARIO

To Toronto	.19¢	Guelph	.13
To Sackville	.95¢	London	.16 to .28¢

Extra
Sackville over
Toronto .76¢ equals $15.20 per ton

PIG IRON

FROM HAMILTON, ONTARIO

To Toronto	3.63	Gross Ton
Guelph	3.63	
London	4.84	
Montreal	5.17	
Sackville	15.22	

Extra Sackville over Toronto equals $11.59 per ton

STATEMENT C

Class Rates on L.C.L. shipments - Incoming supplies

	100	85	70	
From Toronto				
To Guelph	.98	.84	.68)	Average 1.03
London	1.46	1.24	1.02)	
Sackville	3.38	2.87	2.37	Average 2.87

Difference Sackville and Guelph-London 1.84 equals 36.80 Ton

Difference Sackville and Toronto 2.50 equals 50.00 Ton

(Allowing .37 for Toronto cartage or expense)

THE ACTING CHAIRMAN: Now, Mr. Fisher, in Canada recently since the building of the Trans-Canada Pipelines, there has been a great conversion of gas in all provinces; have you benefitted in that market?

MR. FISHER: Everyone in the gas appliance industry has benefitted from it. We might say that the gas takes away from some other product.

THE ACTING CHAIRMAN: I know it does.

MR. FISHER: We manufacture lots of cooking and heating products for gas, coal, wood and so on, and perhaps two years ago we would be selling a certain quantity of oil furnaces, but today with the advent of gas a certain portion of those have gone over to gas.

THE ACTING CHAIRMAN: Your contention is that while you were not denied a share in that market, you were handicapped in it?

MR. FISHER: We are handicapped in it very greatly the same as in all of our items with the greatly increased costs, we have got to get our raw materials to our plant and then to ship them back into the big markets of Canada.

THE ACTING COMMISSIONER: Mr. Fisher, we have heard in your brief a suggestion as to the horizontal increases, and you suggest that we should remove the uneconomic and what appears to be an unjust situation. Well now, have you anything to suggest that would be helpful to us as an alternative to the horizontal increases?

MR. FISHER: For many years I have advocated with others before the Board of Transport Commissioners and the previous Royal Commission, that instead of percentage increases, the increases should be in cents per hundred pounds. If there is a 5-cent per hundred pound needed, let us give it in Quebec and Ontario and the Maritime provinces. In the present way we have to add on to our rate a greater number of cents per hundred pounds than has been added on to the rates in Quebec and Ontario, where they have the shorter hauls both coming and going.

THE ACTING CHAIRMAN: That is, you would add more cents per hundred pounds in Central Canada than in the fringes?

MR. FISHER: No. That would be very nice, but what we had suggested --

THE ACTING CHAIRMAN: I just wanted to get your ideas.

MR. FISHER: That would be very nice and something like that would be needed now to offset the many evils of the past, but we have advocated for years and I have appeared before the Board of Transport Commissioners in 1920 and at various times since, and I have always advocated there should not be this percentage increase, it should be in cents per hundred pounds so as to not cause a greater disparity and greater arbitrary between the rates which separate Upper Canada or Central Canada and the Maritimes.

THE ACTING CHAIRMAN: I just wanted to get your ideas. You think if that were done, then the differential wouldn't be accentuated, is that it?

MR. FISHER: If that was done, the differential wouldn't be accentuated. There are a lot of evils of the past to be corrected in order to reduce things to a more common denominator, a common level.

THE ACTING CHAIRMAN: Well, I think you suggest in your brief that the raw material should get in at lower rates to the East, is that correct?

MR FISHER: Yes.

THE ACTING CHAIRMAN: Now, as your competitiors in Ontario are concerned, and also Quebec, they, of course, look upon this area, I suppose, of freight rates as a sheltered market to you?

MR. FISHER: Far from it, sir; they come down here, all of them are represented down here, they come down here and we have to battle them at our own grounds, and we haven't made any complaints on that score.

THE ACTING CHAIRMAN: Are there any other questions?

COMMISSIONER ANSCOMB: Mr. Fisher, this may be irrelevant, but it will help me likely. On page 5, paragraph 2 you talk about the gas range business over 80 per cent sold in Canada and accounted for by a good deal imported from the United States. Is there a tariff problem there?

MR. FISHER: There is a tariff on them coming in, but in the United States the manufacturers operate on a very large scale, and they are able to concentrate on a certain few lines. For instance, there may be a large industry in the United States making gas ranges only making five models. They can produce this smaller variety of models in large quantities and keep the costs down.

THE ACTING CHAIRMAN: It is a question of mass production?

MR. FISHER: Yes, but something beyond that again. They bring those into Canada at very low prices, their duty value that they show is, perhaps from special sales they have made in the United States at a low price and they show that, and that is what the duty is paid on. They come in here with the duty paid at a price lower than nearly any Canadian manufacturer can manufacture them for. As compared with one plant making five lines of gas ranges we have in gas ranges alone 30-odd lines plus electric, coal, oil and all sorts of heating, so we run into hundreds of varieties and they just have a few. We could not concentrate on a few and get sufficient volume to market to make it a good operation.

COMMISSIONER ANSCOMB: If this is not a fair question then please do not answer it, but are you labour rights equal to or more than Ontario or Quebec?

MR. FISHER: I can answer that in comparison with our own industry in Ontario and

Quebec. We have made comparisons of the earnings of our men in cents per hour or dollars per hour and they match up pretty well with those in Ontario. This is higher than many and there are not very many whose men make a greater earning than ours do. Of course, there are certain classes of rough labour where there is a difference of some cents, but they are only a handful of men.

THE ACTING CHAIRMAN: Mr. Mann?

COMMISSIONER MANN: I have a couple of questions. First of all, I wonder whether my copy is wrong, but on page 6 where you say "Statement "D" attached", should that not read "Statement "C"?

MR. FISHER: There is no "D", so it must be Statement "C".

COMMISSIONER MANN: Now, Mr. Fisher, are there to your knowledge any agreed charges on stoves moving into the Atlantic provinces from Central Canada?

MR. FISHER: My valuable assistant just called that to my attention as I sat down. There has been an agreed charge, I say an agreed charge or agreed charges in effect from Ontario to a point in the Maritime provinces where stoves and similar products coming in and heating equipment have been brought in at an agreed charge, which is much lower than a commodity or class rate. In effect these are brought in here and distributed under the Maritime Freight Rates Act which we feel is entirely against the whole principle of the Maritime Freight Rates Act. This

was for the distribution of goods produced here to the territories concerned and over the areas, but in bringing it in on a low charge and getting in under the Maritime Freight Rates Act we feel it is a very unfair thing.

THE ACTING CHAIRMAN: Have you any agreed charge yourself?

MR. FISHER: I can say that as of today we have no agreed charges, but as of tomorrow we will have one.

COMMISSIONER MANN: Is that one on stoves?

MR. FISHER: That one is on furnaces and space heaters.

COMMISSIONER MANN: The agreed charge into the Maritime provinces, is that on furnaces?

MR. FISHER: It is all products, probably stoves and furnaces.

THE ACTING CHAIRMAN: Mr. Cooper?

MR. COOPER: On page 2 of the brief, Mr. Fisher, you state that a larger part of your business is done west of the Maritime provinces. My question is, what proportion of your business actually is done west of the Maritimes?

MR. FISHER: Over 50 per cent. Without giving away too many trade secrets I will say over 50 per cent.

MR. COOPER: How far west do you go?

MR. FISHER: We have a warehouse in Vancouver. We go from St. John's, Newfoundland to Vancouver and as far north as transportation goes, the Arctic Circle.

MR COOPER: Are any of your raw materials at all brought in by road transport?

MR. FISHER: I would say no except in the Maritime provinces. The only thing coming in by road transport is lumber which is hauled in from the various mills within a radius of 50 miles and a few things come from St. John's such as cartons.

THE ACTING CHAIRMAN: You would not use much lumber making stoves, would you?

MR. FISHER: In crating them we use about one million feet of lumber.

MR. COOPER: Nothing that comes in by truck from outside the Maritime provinces?

MR. FISHER: There are a few odd supplies come in from Ontario and Quebec occasionally by transport, but they are very few.

MR. COOPER: What proportion of the raw material would that be?

MR. FISHER: It would be a fraction of 1 per cent.

MR. COOPER: Do any of your finished products move by transport?

MR. FISHER: In the Maritime provinces there are an increasing number going by transport because our customers want it, and because they can save so much in time. The delivery by freight in the Maritime provinces is rather slow: Shipments to Halifax average from three to seven days and to Sydney from five to seven or eight days. That is on recent movements and in the past the

time was slower than that. We ship practically nothing outside the Maritime provinces by transport.

THE ACTING CHAIRMAN: Mr. Mauro?

MR. MAURO: Mr. Fisher, do you get the benefit of the trans-continental rates to your warehousing in Vancouver?

MR. FISHER: We have on stoves to Vancouver a competitive rate, and as of tomorrow on furnaces and space heaters it will be an agreed charge. That agreed charge applies to those items of furnaces and space heaters to the three Prairie provinces and British Columbia.

MR. MAURO: Is there any other warehousing in Western Canada?

MR. FISHER: No, we ship to jobbers and distributors.

MR. MAURO: On page 4 you referred to freight equalization, that is just at the bottom of the page.

MR FISHER: Yes.

MR. MAURO: I take it that is up to Diamond Junction and Levis?

MR. FISHER: No, if we ship into Windsor, Ontario we have to equalize the freight on Toronto, we have to make a deduction from our invoice so that the customer will only be paying the same freight as though he bought it in Toronto.

MR. MAURO: Mr. Fisher, do you have any figures as to the comparative increase in your freight costs on either class 45, 80 or 100 from

1949 to 1959?

MR. FISHER: 140 per cent, we got the whole thing, everything was accumulated and compounded.

MR. MAURO: From your discussions with the Acting Chairman, Mr. Fisher, I would assume you would approve of any alternative method of freight rate increases with a little better distribution between the short haul and the long haul?

MR. FISHER: That would be a step towards an ultimate goal.

MR. MAURO: As far as the future increase, won't we still have to roll back --?

MR. FISHER: The carpet of the past.

MR. MAURO: Yes, but for the future as a method of distributing a little better over the long haul and the short haul --

MR. FISHER: Any scheme that would result in it would be good. I cannot say any scheme would be the ultimate that we look for, but you might say a scheme which might go part way which we might think does not go far enough.

MR. MAURO: I notice in some of your recommendations you in effect feel that your industry should be geographically in the position of Montreal.

MR. FISHER: A minimum of Montreal. I would not want to tie anyone's hands to place our position equal to anything further west into Ontario.

MR. MAURO: I just wonder if you feel

that it is similarly fair in some place or location west of Montreal to be moved that number of miles closer to the eastern market.

MR. FISHER: I do not see why it should be, because Ontario and Quebec are in the cream of locations, they have their raw materials around them, their great density of markets around them. They are like the hub of a wheel, they are very self-contained and they have a great purchasing power and producing power to obtain and market at a very slight cost, and all sorts of facilities for transporting by rail, highway and by the Great Lakes waterways.

THE ACTING CHAIRMAN: Mr. Fisher, there is one thing so far as your industry is concerned, our meeting is at a very propitious time in that you have a rate in force today to Vancouver which is going to be different tomorrow. Would you tell the Commission what your rate per hundred pounds is today and what it will be tomorrow? That will give us some idea of the agreed charge.

MR. ARMITAGE: I am afraid I do not have those figures.

THE ACTING CHAIRMAN: Can you give them to the Board.

MR. FISHER: Yes, we will see the Board gets them.

THE ACTING CHAIRMAN: We have been hearing a great deal about all sorts of devices that exist to the agreed charges and in your case we have

Exhibit A, because here you have a rate, a normal rate, a commodity rate applied to Vancouver as of today's date and then you can give us, if you will, what it will be tomorrow.

MR. FISHER: We can give you that.

THE ACTING CHAIRMAN: Just for our information, of course. We do not want to use the Commission as a means of giving trade secrets to anybody else, but we do want the truth, and if we can get it we will know how to approach these things.

MR. FISHER: This agreed charge goes into effect tomorrow, and it went into effect in the province of Ontario for certain places for certain firms in December of 1958. We learned of this in just a few weeks and endeavoured to be treated likewise, but it has so many processes to go through and we have been chasing this ever since January of this year.

THE ACTING CHAIRMAN: You wanted to get in under the umbrella?

MR. FISHER: Yes. Perhaps I might just add one point on the proportion or percentage which freight pays to the article. I have been speaking of steel sheets and pig iron as our heavy tonnage items. Up until about a month ago the freight was 15 per cent of the mill price of our steel sheets which has now changed from $1.05 to 95 cents, and the freight is now 13.6 per cent of the mill price. On pig iron our freight is 22.4 per cent of the furnace price which seems

tremendously out of proportion to the product or to the article being carried.

MR. WRIGHT: May I ask just one question?

THE ACTING CHAIRMAN: Yes, of course.

MR. WRIGHT: I think, Mr. Fisher, in your submission you have listed quite a few of what would appear to be disadvantages to a person carrying on a manufacturing industry in the Maritimes, and I was just wondering if there were any advantages accruing to such an industry in the Maritimes. Before you answer, you answered Commissioner Anscomb when he asked you about wage costs, that your wages were pretty much on a par with Ontario in that respect. Would you give the same answer if I were to ask you what your labour costs were? I do not want you to answer if you do not want to.

MR FISHER: Well, I just do not see what you mean exactly by labour costs. Labour earnings are what the men are interested in, what they get in their pay envelope, and that is their earnings. We are making a comparison with the earnings of corresponding trades in other parts of Canada, and that is the comparison, the earnings of our men are well up on the list of earnings for the same trades in Quebec and Ontario. As for advantages of being in the Maritime provinces, it is very hard to say as to any material advantages other than the advantage of living in a very wonderful part of Canada. However, from a practical, commercial point of view, I am afraid I cannot

name any at the moment. Mr. Rand has called my attention to the fact that a number of stove and furnace manufacturing plants were in the Maritime provinces and I could name very quickly 15 that were in operation here some years ago and we are now down to five. Two of these are strictly local just in their own little locality, and one makes one line of goods and the other makes another line. That is all that is left other than the three of us out of 15.

THE ACTING CHAIRMAN: Mr. Fisher, did these other 20 just fold up?

MR. FISHER: They just folded up and went out of business.

THE ACTING CHAIRMAN: They were not purchased by anybody else?

MR. FISHER: No, they just could not keep up in the race and they closed up shop.

COMMISSIONER ANSCOMB: Survival of the fittest.

COMMISSIONER BALCH: Would you think central heating had something to do with that?

MR. FISHER: No, I do not think so.

THE ACTING CHAIRMAN: Are there any other questions of Mr. Fisher? Thank you very much Mr. Fisher, for your contribution. I might say the Commission have been very pleased by the interest shown in New Brunswick in the work that is assigned to us, and we appreciate very much the work that Mr. Fisher and the Premier and

everybody else has done in order to assist us in coming to a conclusion in our studies and then making a report.

MR. FISHER: Thank you, Mr. Chairman for your very courteous treatment of us today.

--- A short recess.

THE ACTING CHAIRMAN: Will you come to order, please?

The next submission, I think, is to be made by Connors Brothers Limited.

SUBMISSION OF
CONNORS BROS. LIMITED
BLACK'S HARBOUR
NEW BRUNSWICK

Appearance:

Mr. James A. Stewart

EXHIBIT NO. 9: Brief of Connors Bros. Limited, Black's Harbour, New Brunswick.

THE ACTING CHAIRMAN: Go ahead, Mr. Stewart.

MR. STEWART: On behalf of the East Coast sardine and herring industry, Connors Bros. Limited respectfully submits that it has a case for presentation to the Royal Commission on Transportation, with particular reference to the handicaps presently facing the industry because of the freight rate structure existing in Canada.

Passamaquoddy Bay and adjacent waters of the Bay of Fundy have long been known as a feeding place for young herring (Clupea Harengus) which are packed as Canadian sardines. These have been processed in the area of Black's Harbour since 1885. The present executive heads of Connors Bros. Limited took over the company in 1923 and, by setting up long-range plans of plant modernization; together with product development; aggressive salesmanship in domestic and foreign markets, have built up an operation now considered to be one of the largest of its kind in the world.

Since this company, supported by its associated and subsidiary companies, plays a predominant role in the canned fish industry of Eastern Canada, it is felt that this submission applies to the industry as a whole, certainly as far as the export of canned fish is concerned.

Taking the calendar year 1958 as an example, the eight companies then in the group sold a total of 953,570 cartons of assorted fish products (mainly sardines). Of these, 459,271 were sold in the Canadian market, while the balance of 494,299 were sold in export fields. Exports to the following countries were made: Bahamas Islands; Barbados; Belgian Congo; Republic Dominicana; Virgin Islands; Santiago de Cuba; Mauritius; Havana, Cuba; Honduras; New Zealand; Bermuda; Trinidad; British Honduras; Ceylon; S W. Africa; Haiti; Curacao; Southern

Rhodesia; British Guiana; Columbia; Guatamala; Costa Rica; Sweden; Panama; South Africa; Singapore; Austria; Dutch Guiana; Jamaica; pretty well all the small islands of the West Indies; Australia; Caroline Islands; Chile; Cook Islands, Fiji; Guam; Hong Kong; Liberia; Marshall Islands.

Our canned fish products were sold in each of the provinces of Canada, with distribution through wholesale grocers and chain stores.

It is proposed to deal with the export markets first.

Competition in this field comes from Norway, Portugal, West Germany, France, United Kingdom, and, to a lesser extent, South Africa, Venezuela, Spain and Japan. All shipments, with a few minor exceptions, in this field are made on a c.i.f. (delivered) basis. When one looks at the geography of the aforementioned producing countries, it will be noted that their plants are usually close to the point of shipping; for example, Oslo in Norway, Hamburg in West Germany, Safi in French Morocco. Thus, their only export freight cost involved is the relative shipping company charge to point of destination. From enquiries made, freight rates from Norway, for example, to Australia are very similar to those from East Coast Canadian ports to the same destination.

However, when one looks at the Bay of Fundy, we are 50 miles from the nearest shipping point, Saint John. We have, therefore, to bear

[illegible]

the cost of initial cartage to this point. Over the years, the port of Saint John has handled less and less cargo. It is mainly a winter shipping port, operating successfully when the St. Lawrence River is closed, with the result that we can ship from there during the months of December, January, February and March. For the other eight months in the year, shipments nearly always must be made from Halifax or Montreal, mainly the latter since many shipments cannot be handled from Halifax.

Montreal is 482 miles from Saint John and Halifax 278 miles. Cost of the 24,000 pounds truckload from Black's Harbour to Montreal is .75 cents per hundred. On a case of New Brunswick sardines, oil, keyless, this means 25-1/2 cents per carton. Similarly to Halifax, the cost is 20-1/2 cents per carton. This does not take into consideration the many less-than- carload lots which have to be shipped.

At the present time, all of our goods are trucked direct from the plant by highway to these points. The reason for this is, that the trucking concerns will pick up the goods at our factories and deliver to the shipping companies at quayside, which is much cheaper than carting to Saint John then forwarding by rail. This is one instance of the railroads losing out to a cheaper and better service. Even with this added convenience, it still costs us a substantial proportion of our delivered price for delivery to Montreal.

THE ACTING CHAIRMAN: Have you any railway service from Black's Harbour to Saint John?

MR. STEWART: Not from Black's Harbour; our nearest point would be Pennfield. In the domestic market, where we ship by railway from Winnipeg west, we have to ship from St. Andrews, because we have two boats which we use for transport from the wharf at Black's Harbour to St. Andrews, or, in some cases, to Saint John. But our nearest point would be Pennfield, which would be eight or nine miles away.

THE ACTING CHAIRMAN: Have you found in your experience that shipping costs are lower than railway costs?

MR. STEWART: Oh, yes; and because of our peculiar situation in as much as we are really not at the rail head.

THE ACTING CHAIRMAN: How far are you from the rail head?

MR. STEWART: From Saint John, 47 miles; as I said, Pennfield is a rail head.

THE ACTING CHAIRMAN: How far is it from Pennfield?

MR. STEWART: Twelve miles.

THE ACTING CHAIRMAN: All right, Mr. Stewart.

MR. STEWART: To aggravate matters, the present discount on the U.S. dollar of 5 per cent has made our lot as exporters precarious. It can be understood that since many of our

markets pay, and can only pay, in U.S. dollars, we are faced with loss of income which businessmen would normally treat as fair profit. Since this is a problem over which we have no control and one which, by all reports, is going to be with us for many years to come, high freight rates as such definitely add to this burden of high cost.

It must be remembered, again, that we are competing from a high cost labour market against countries whose labour costs are much lower than our own. Only by constant modernization of plants, together with the use of cost-cutting machinery, has the industry here in Eastern Canada managed to retain its competitive position in this field. When one considers the above costs involved in moving our goods purely to the initial shipping point in Canada, it will be readily understood that the progressive freight rate increases over the years have made this position more and more difficult. Even our raw materials must suffer with variations in freight. Tinplate for the manufacture of cans in our own canshop, and salt for the processing of the fish must be brought in by rail. Using approximately 5,800 tons of tinplate and 2,000 tons of salt per year, it can be seen that variations in freight costs can be of significance from a costing point of view.

An an illustration, within the last month we have a problem in Panama, where Denmark is quoting keyless oil sardines, similar to our

own pack, at a price 35 cents below our quotation. It will be noted that this difference is roughly what it costs us to ship by truck to Saint John, thence by rail to Montreal. Recently, we have the example in Australia where West Germany is now able to sell at approximately the same price as we do, delivered Australian ports, a competitive position they did not have before. As a result of cutting their prices, they have now crept up to third place, behind Canada and Norway, in shipments of canned fish to that country.

Summarizing our export position, we feel that some policy should be adopted to make the freight rate structure between Saint John and the shipping ports of Montreal and Halifax more equitable with relation to the total export cost involved. When one considers even our cheapest method by truck to Montreal (25-1/2¢) compared to the boat cost from Montreal to, say, Australia (58-1/4¢), the rate structure appears to be against us in New Brunswick.

We are supposed to be an exporting nation, and, while we appreciate the railways must operate at an economic level, we must point out that, as exporters here in New Brunswick, we are in a different category altogether from exporters in Upper and Central Canada, who are much closer to their ports of shipment. Every increase in freight rates must raise our cost of delivery, thus tending to price our particular product out of world markets.

THE ACTING CHAIRMAN: Then, Mr. Stewart, you realize that in our job we are supposed to report on a basis that will have the railways operating on an economic level and, at the same time, do some of the things we are asked to do?

MR. STEWART: Yes, we understood that this was on transportation, and we only wish to present to the Commission the particular problems which we do experience down in our end of the country with regard to freight rates, both railway and trucking; because, actually, as manufacturers and operating on a profit-and-loss basis we naturally take the cheapest form of transportation.

THE ACTING CHAIRMAN: You recognize the fact that the railway is an essential part of our transportation system?

MR. STEWART: Exactly.

THE ACTING CHAIRMAN: And must be maintained...

MR. STEWART: Exactly.

THE ACTING CHAIRMAN: To be paid fees ... properly and efficiently.

MR. STEWART: Yes.

Coming to the domestic picture: Production and sale of our sardines could possibly be placed in three categories; namely, keyless oil sardines; oil sardines key wrapped; and olive oil sardines key wrapped. There is little competition from outside sources on the first category, but there is definite competition, from

Norway and Portugal, in the key open class of sardines, oil and olive oil; also in kippered snacks,packed in oblong tins. There is competition in kippered herring and herring in tomato sauce from the United Kingdom.

Although we sell coast to coast in Canada, naturally our biggest individual markets are in Montreal and Toronto. Here we have the picture that foreign exporters can ship their sardines direct from their own countries to the heart of our markets, using the St. Lawrence Seaway. Norway, for example, can ship key open sardines to Toronto at a rate of $42 per thousand kilos, or approximately 68-1/2 cents per carton of 100 tins. The Norwegian price, however, does not take into consideration any carload rates whatsoever, so that this rate could be applied on fairly small lots. Using the rate of $1.96 for less-than-carload lots, it would cost us 70-1/2 cents compared with Norway's 68-1/2 cents. Thus, in medium-sized lots, Norway can actually ship into Toronto cheaper than we can from New Brunswick. We could ship into Toronto at 40 cents, providing we had a carload quantity of 30,000 pounds; 24,000 pounds would cost us 45 cents.

To take advantage of carload rates, we are forced to build up pool cars, which naturally leads to delays in deliveries with resultant loss of sales.

Then, outside our own particular field of competition from canned, fresh and frozen fish,

we have the ever present competition from other products, such as eggs and canned pork, which we understand are subsidized or supported by the Government. We are a non-subsidized industry competing with Government supported industries located right on the doorstep of the markets. Progressive freight increases have made our task of remaining competitive increasingly difficult. Naturally, it is not the Commission's object to judge the merits of Government policy regarding subsidies, but this point was raised to point out the handicaps from all sources under which we, as an industry, are operating.

We would bring, as an example, our position in selling in Northern Ontario at the present time. Lack of interest in our products by wholesalers in that area because of particularly high freight rates, is the point constantly raised by our agent. As mentioned before, we have sufficient demand in concentrated areas to build up pool cars, but in that area of Ontario it is almost impossible to do so. To stay in business in that territory, it appears that we, as a manufacturing company, will have to bear a proportion of freight charges which would normally be borne by the consumer. This would be contrary to the idea that all our customers in Canada should be entitled to identical privileges.

We do appreciate the difficulties with which your Commission is confronted, but can only

point out the disadvantages we are experiencing partly because of high freight rates. We regret we have nothing constructive to offer by way of suggestions.

We can only point out that at all times we have endeavoured to control our own costs so as to remain competitive, both at home and abroad. It is always extremely discouraging when outside pressure such as increased freight rates, add untoward costs over which no internal control can be exercised.

We can only hope that some form of policy will be adopted whereby we, in New Brunswick, can ship overseas with a little of the advantages experienced by our colleagues in Upper Canada. Surely geographical features should not be allowed to interfere with what, after all, must be considered a Canadian rather than a provincial problem.

THE ACTING CHAIRMAN: Mr. Stewart, have you any agreed charges at all?

MR. STEWART: Yes, we have. We have an agreed charge

THE ACTING CHAIRMAN: Where?

MR. STEWART: To Winnipeg.

THE ACTING CHAIRMAN: Well, and when did that come in?

MR. STEWART: November 17, 1957.

THE ACTING CHAIRMAN: And what rate did you pay before and what rate are you paying now on the agreed charge?

MR. STEWART: It was $1.83 to $1.65 per hundred pounds on rail -- lake and railway shipments.

THE ACTING CHAIRMAN: A $1.83 was what you were paying, and that was reduced to $1.65 under the agreed charge?

MR. STEWART: Yes, that is correct.

THE ACTING CHAIRMAN: Was the agreed charge the subject of an increase in the last Board order?

MR. STEWART: No, it wasn't; it remained the same.

THE ACTING CHAIRMAN: Have you been approached to increase it?

MR. STEWART: No, not yet.

THE ACTING CHAIRMAN: There have been no approaches made by the railways?

MR. STEWART: Actually, our interest in freight rates is more in the export field, because our goods are sold f.o.b. plant.

THE ACTING CHAIRMAN: Would that movement be quite a heavy movement to Winnipeg on the agreed charge?

MR. STEWART: The railways would have all the business, which probably runs to ...

THE ACTING CHAIRMAN: I am talking about volume.

MR. STEWART: We would have one carload a month for Winnipeg; probably four for Regina and four for Saskatoon. We would have 20 carloads a year going to Winnipeg on that agreed charge.

THE ACTING CHAIRMAN: Then the agreed

charge only goes as far as Winnipeg?

MR. STEWART: Yes, it does. We have --

THE ACTING CHAIRMAN: ... distribution there?

MR. STEWART: Yes. We have a rather curious point that I would like to bring up. We, at the present time, ship carloads into Winnipeg, Regina and Saskatoon. It would be cheaper for us to ship into Winnipeg under an agreed charge and then re-ship the goods from Winnipeg to Regina or Saskatoon, as the case may be; it is cheaper for us to do that then to ship straight from Saint John.

THE ACTING CHAIRMAN: Have you a warehouse in Winnipeg?

MR. STEWART: No.

THE ACTING CHAIRMAN: Do you sell ...

MR. STEWART: ... we sell direct to wholesale grocers and chain stores.

THE ACTING CHAIRMAN: Do you ship by rail or truck?

MR. STEWART: By rail.

THE ACTING CHAIRMAN: From Winnipeg?

MR. STEWART: By rail from Winnipeg to Regina.

THE ACTING CHAIRMAN: By rail all the way?

MR. STEWART: Yes.

THE ACTING CHAIRMAN: Is that part of the agreed charge contract?

MR. STEWART: No; the contract just applies to Winnipeg.

THE ACTING CHAIRMAN: But you carry the freight rate right through by rail?

MR. STEWART: That is correct.

THE ACTING CHAIRMAN: Have you any questions, Mr. Balch?

COMMISSIONER BALCH: No.

THE ACTING CHAIRMAN: Have you, Mr. Anscomb?

COMMISSIONER ANSCOMB: No, Mr. Chairman.

THE ACTING CHAIRMAN: Mr. Mann?

COMMISSIONER MANN: Yes.

The ocean rates that you ship on -- are they the same from Montreal as they are from Saint John and Halifax?

MR. STEWART: Yes.

COMMISSIONER MANN: Can I take it that you ship by Conference liner, do you?

MR. STEWART: In most cases, yes.

COMMISSIONER MANN: So that in the case of shipment, say, to Jamaica, where the distance is considerably less from Saint John than Montreal, there is still no advantage to you shipping out of Saint John?

MR. STEWART: That is correct.

COMMISSIONER MANN: You mention on page 5 the Norwegian importation into Toronto, and you tie it in with the St. Lawrence Seaway. Has the St. Lawrence Seaway actually made it cheaper for Norway to reach the Toronto market?

MR. STEWART: So far as we understand, yes, it has, because now they can ship direct to

Toronto; before that they shipped to Montreal and re-shipped from there.

COMMISSIONER MANN: Didn't the Fjell Line run some smaller ships up into the lake before the Seaway? That is the Norwegian line.

MR. STEWART: Yes, they probably did; but whether they carried sardines or not ...

COMMISSIONER MANN: ... I don't know. What type of rate do you have to Toronto? Is it a class rate, or a competitive rate?

MR. STEWART: So far as I understand it is a commodity rate.

COMMISSIONER MANN: And what type of rate do you have in Northern Ontario, say, to North Bay, or New Liskeard?

MR. STEWART: Commodity rates.

COMMISSIONER MANN: You don't have any class rates there?

MR. STEWART: No.

COMMISSIONER MANN: Do you ship at all to the United States west coast -- Seattle, say?

MR. STEWART: Yes, we do; I would say probably two carloads a year; we don't ship too much.

COMMISSIONER MANN: And you ship that out of Pennfield?

MR. STEWART: From St. Andrews.

COMMISSIONER MANN: If you took this by some vessel to, say, a navigating point in Maine and used the continental carriers in the United States -- the railways in the United States --

would your rate to Seattle be lower?

MR. STEWART: I think we have the advantage of that particular rate at the present time.

COMMISSIONER MANN: That is only to the United States West Coast?

MR. STEWART: Yes -- actually to Vancouver, too.

COMMISSIONER MANN: This re-billing process at Winnipeg -- this is not something that is peculiar to your company? Everybody else does that?

MR. STEWART: Yes. Well, I don't know. In our particular case we do. You mean outside our industry?

COMMISSIONER MANN: No, I mean companies in Ontario and Quebec ship to Winnipeg and then re-bill because ...

MR. STEWART: Is that a statement or a question?

COMMISSIONER MANN: Well, I think I will make it as a statement.

That is all I have.

THE ACTING CHAIRMAN: Mr. Platt?

COMMISSIONER PLATT: I have one question. I presume the reason you have to go to Montreal in certain seasons of the year is that they are not shipping out of Saint John?

MR. STEWART: That is right, the shipping companies will not bring the vessels into Saint John; it is uneconomic to bring it into the Bay

of Fundy.

THE ACTING CHAIRMAN: Mr. Cooper?

MR. COOPER: Does the same apply to Halifax, Mr. Stewart?

MR. STEWART: No, it would depend on which country we are shipping to; going to the West Indies you have ports of all at both Montreal and Halifax on their way down. The Mines Line, if I remember correctly, just sails from Montreal and they don't call at Halifax.

MR. COOPER: You say on page 3 of the brief, Mr. Stewart, that Montreal is 482 miles from Saint John, and you give the distance for Halifax, and the cost of the 24,000-pound truckload from Black's Harbour to Montreal is 75 cents per hundred. Now, I am not sure from that paragraph and the one which follows whether for the Montreal market you ship entirely by road transport.

MR. STEWART: Montreal, with very, very few exceptions would be by road transport.

MR. COOPER: What about Toronto?

MR. STEWART: At Toronto, with the exception of one large customer who still takes it in by carload, by truck.

MR. COOPER: So, all your shipments, then, to Montreal with very minor exceptions are by road transport?

MR. STEWART: That is right.

MR. COOPER: And all your shipments to Toronto with the exception of one large customer

are by road transport?

MR. STEWART: That is right.

MR. COOPER: In so far as that one large customer is concerned, your shipments there are made in carload lots?

MR STEWART: That is right.

MR. COOPER: What rate do you get for your carload lot?

MR. STEWART: It is shipped freight collect; I think it is 96 cents, I am not really sure.

MR. COOPER: Well, on page 5 of the brief you said, "We could ship into Toronto at 40 cents providing we had a carload quantity of 30,000 pounds; 24,000 pounds would cost us 45 cents"?

MR. STEWART: We were, perhaps, not too specific there; that would be 40 cents per case which would be based on a shipping rate of 34 pounds, so it must be $1.05, if I remember it, for a 30,000-pound carload, but a 50,000-pound carload is around 96 cents which would make that carload cost, then, roughly 53 cents per case for shipping 50,000 pounds.

MR. COOPER: What is a case in quantity?

MR. STEWART: A normal carton runs about 34 or 36 pounds.

MR. COOPER: How many tins in the carton?

MR. STEWART: One hundred tins per carton.

MR. COOPER: What is the retail price of your sardines as compared to the Norwegian sardines brought to Montreal or Toronto?

MR STEWART: In Montreal or Toronto once again it is the three classes of keyless oil sardines that still sell at probably three tins for 9 cents, and then we have our oil key sardines which would be in the neighbourhood of two for 21 cents, and our olive oil key would be two for 35cents, that would be correct, whereas the Norwegian sardine sells from 19 cents for the oil key to 33 cents per tin for the oil.

MR. COOPER: Their prices are substantially about yours per tin?

MR. STEWART: Yes.

MR. COOPER: The retail price in Central Canada?

MR. STEWART: Yes.

MR. COOPER: Thank you.

THE ACTING CHAIRMAN: Any other questions? Mr. Mauro?

MR. MAURO: No questions.

THE ACTING CHAIRMAN: Mr. Wright?

MR. WRIGHT: No questions.

THE ACTING CHAIRMAN: Well, thank you very much, Mr. Stewart. I think you have been very frank with us when you told us frankly in your submission that you didn't suggest anything too constructive and you were just trying to educate us. Thank you very much.

SENATOR McLEAN: We always have that problem and have had it for many years before. My mind goes back to when Frank Oliver and the Honourable

Mr. McEwen of Saint John were on the Transportation Board, and at that time they could ship to the North Sea through the canal on a through bill of lading and back from Vancouver cheaper than we could, 55 cents a hundred cheaper than we could ship from the Maritime provinces, and we brought the case before the Board and we ended up on a compromise to the railways where we got 50 cents reduction out of 55, which was only 5 cents difference, and we included it and it increased the business considerably, but it didn't seem fair to the Board at that time to ship from the North Sea, and then through the canal to Vancouver and then through a shipper to Calgary and Edmonton and all those places, but since then, of course, now the North Sea fish is getting a cheaper rate by the canal as far as the home market is concerned, and we are up against in the foreign market the premium on the Canadian dollar, and very conservatively I think it is about 6 per cent, and we are up against the market to Europe and the Congo, and so forth. We are getting it from both sides, the Bay of Fundy is on the sea and we are on one side taking the fish into the city of Toronto, and then we can ship it, and in the foreign markets we are up against the premium on the Canadian dollar, which I know you have nothing to do with.

THE ACTING CHAIRMAN: We realize there is a premium on the Canadian dollar now, but there was a time not so long ago the Canadian

dollar was very much at a discount, but we can't control that, we have enough troubles without exchange. Thank you, Senator McLean and Mr. Stewart.

Now, the next brief I think is from the lumber people.

MR. COOPER: The submission of the Maritime Lumber Bureau will be Exhibit No. 10.

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SUBMISSION OF
MARITIME LUMBER BUREAU

Appearance:

Mr. J.G. Burchill - Chairman, Maritime Lumber Bureau

EXHIBIT NO. 10: Brief of Maritime Lumber Bureau.

THE ACTING CHAIRMAN: Would you give your full name for the record, please?

MR. BURCHILL: I am J.G. Burchill.

THE ACTING CHAIRMAN: And you are Mr. MacKay?

MR. MacKAY: Colin MacKay.

THE ACTING CHAIRMAN: Yes, Mr. Burchill?

MR. BURCHILL: 1. This submission is made to your Commission by the Maritime Lumber Bureau, which is a trade promotional organization of the Maritime lumber industry. It is a non-profit association and its members are engaged in all branches of the production, manufacture and distribution of lumber in New Brunswick and Nova Scotia.

2. This Bureau desires to express its appreciation for the opportunity afforded to it of presenting to your Commission the information and suggestions set out in this submission.

3. The lumber industry is of basic importance to the economies of New Brunswick and Nova Scotia. It ranks third in importance among the industries therein and provides a gross income somewhat in excess of $40,000,000 annually.

THE ACTING CHAIRMAN: Is that for both provinces or just one?

MR. BURCHILL: No, just one. This brief is on behalf of the lumbering industry in the Maritimes.

4. As was said in the Report of the Royal Commission on Maritime Claims in 1927 (commonly referred to as the "Duncan Commission"), the Maritime provinces were themselves among the first to give birth to the vision of a confederated dominion. Maritime faith was strong in the future of the Dominion of Canada as a complete and cemented constitutional entity and as an integral part of the British Empire. As stated therein, this faith was as strong as it was in the minds of those who ultimately accomplished Confederation in 1867 and whose declaration in the British North America Act 1867 that such a Union "would conduce to the welfare of the provinces and promote the interests of the British Empire" is not very different, even in words, from what statesmen of the Maritime provinces themselves had made many years before that date.

5. Long before Confederation, it was recognized by the statesmen and leaders in the Maritime provinces, as well as in Upper and Lower Canada, that a railway should be constructed between the Maritime provinces and Central Canada, not only as an element in the political consolidation of the four provinces, but also as a

channel of mutual commerce and trading.

6. Accordingly, by Section 145 of the British North America Act 1867, provision was made for the immediate construction of the Intercolonial Railway connecting the River St. Lawrence and the city of Halifax.

7. The construction of the Intercolonial Railway followed, but due to various causes it has not provided generally transportation charges which have permitted Maritime shippers to compete favourably with sources of supply closer to the market in Central Canada.

8. Lower levels of freight rates prevailed on the Intercolonial System prior to 1912, but between 1912 and 1926, increases were added to the freight rates which, with other changes in the framework of the rate structure, combined to impose upon the merchandise and industry of the Maritimes an undue burden, which was one of the causes that led to the appointment of the Duncan Commission in 1926.

9. The Bureau refers, in this connection, to the preamble to the Maritime Freight Rates Act, 17 George V, Chapter 44, enacted to implement the recommendations of the Duncan Commission and to the following conclusions with respect to such preamble, in the Report of the Royal Commission on Transportation, 1951, where it is said at page 228 as follows:

"There are two important statements in the preamble which form a guide in reaching

decisions on the various claims put forward by parties appearing before the Commission asking that the Act be amended in various ways: 1st. The recognition of pre-Confederation pronouncements that the Intercolonial Railway was designed to afford Maritime merchants, traders and manufacturers the larger market of the whole Canadian people instead of the restricted market of the Maritimes themselves; and 2nd. The recognition that, having regard to such pre-Confederation pronouncements, the burden imposed upon the trade and commerce of the Maritime provinces resulting from increased freight rates after 1912 was never intended to be borne by such trade and commerce."

10. The recommendations of the Duncan Commission in this regard were carried into effect by the enactment of the Maritime Freight Rates Act, which provided for a reduction of 20 per cent on all rates charged on local traffic all rail between points on the Eastern lines and traffic moving outward westbound all rail to points in Canada beyond the limit of the Eastern lines at Diamond Junction or Levis -- the 20 per cent reduction to be based upon the Eastern lines proportion of the through rate, and on traffic moving outward, export traffic, rail and sea. Provision was made in the Act for its application to other railways operating in the "Select Territory"

which includes the Maritime provinces and part of the province of Quebec.

11. Lumber rates, after the enactment of the Maritime Freight Rates Act, were relatively stable until 1948 when a long series of freight rate increases successively authorized, seven in number, commenced, the cumulative effect of which has been that the authorized increases amounted to 157 per cent of the rates prevailing prior to April 1948. (The rate of increase has been temporarily reduced to 142 per cent by the coming into force on August 1, 1959, of the Freight Rates Reduction Act.)

I might say that this particular item doesn't apply to lumber. When the railways took the 17 per cent off of their own accord, that wasn't an act as far as we were concerned, so in effect we got a little more reduction.

12. Although the Maritime lumber industry protested against the authorization of these increased rates and on several occasions appeared before the Board of Transport Commissioners for Canada and submitted that it was unjust and inequitable that lumber moving from the Maritimes into Central Canada should be subjected to these additional transportation costs, the increases were authorized. It was pointed out in the course of the arguments advanced by this Bureau that as the Board had found in earlier cases, the Intercolonial Railway was constrained to arrange

low lumber rates from the Maritime provinces in order to get its lumber traffic into Ontario and Quebec.

13. The Maritime lumber industry was severely handicapped by the additional transportation costs occasioned by the increases, which had the effect of worsening its competitive position in the Central Canadian market. There were no alleviating circumstances in their case, as there were in the case of other lumber producing areas shipping into the Central Canadian market. The competing shippers of lumber had the choice of resorting to other means of transportation, especially trucks, but such competitive means of transportation were not generally available to the Maritime provinces lumber shippers. This is apparent from a comparison of road miles from Maritime origins to Montreal, P.Q. and Toronto, Ontario with road miles from Ontario and Quebec origins to these destinations. The result has been that the competing shippers of lumber have been able to obtain from the railways competitive rates at much lower levels than the commodity rates, which generally take authorized increases.

14. Canadian National Railways publish motor truck competitive rates from points on their Northern Lines between Chicoutimi in Quebec and Long Lac in Ontario to many points in Ontario and Quebec, in the territory of Clairmont in Quebec in the east to Windsor, Capreol and Timmins

in the west and likewise Canadian Pacific Railway Company publish motor truck competitive rates from stations in the territory between Chalk River in Ontario in the east and Sault Ste. Marie and Regan in the West to destinations in the territory between Montreal in the east and Sault Ste. Marie and Windsor in the west.

15. Attached to this submission is Table "A" showing roughly the major territories in which the Canadian National Railways' motor competitive rates are operative. The origin area on the map is shown enclosed in red lines and the destination area is enclosed in black.

Would you like to look at that, sir, for a moment? Generally speaking, the origin points are put here in red, and they have competitive rates from the shipping points to this margin area in the south.

16. Hereto attached is Table "B" indicating the freight rates on lumber movements from Truro, N S. and from Dolbeau, Quebec to Toronto, Ontario, at the respective times mentioned therein. It will be observed that prior to April 8, 1948, the difference expressed in a thousand feet of lumber board measurement. That is the cost per thousand feet between Truro and Dolbeau, was 60 cents in favour of Dolbeau, and that the present difference is $1.80 in favour of Dolbeau. In effect we are three times worse off than in 1948. The present rate from Truro

is a commodity rate, while the rate from Dolbeau is a truck competitive rate. It will be noted too that prior to June 15, 1959, and after February 16, 1959, the difference was $4 in favour of Dolbeau, which was accounted for by the fact that the 17 per cent increase effective December 1, 1958 was removed from the competitive rates from Dolbeau but was not removed from the commodity rates from Truro until some time afterwards. The date of the removal in the case of Dolbeau was February 16, 1959 and in the case of Truro, June 15, 1959. Both reductions were effected by the railways themselves.

17. The position is that our relative freight situation, in spite of the increased rate of subvention under the Maritime Freight Rates Act which became effective July 1, 1957, and the removal of the 17 per cent increase of December 1, 1958, is steadily worsening which, it is submitted, is a situation which is diametrically opposed to the intent and purpose of that Act.

18. It is the experience of our lumber industry that it is impossible to pass increased freight charges along to the buyer immediately after the increase, if at all. We find ourselves in the position of having to take what the market offers.

19. Obviously, if we cannot pass these increased costs on to our customers, we must absorb them ourselves and by doing so, create a condition

which we believe is clearly apparent in the records of the industry.

20. According to the Dominion Bureau of Statistics, the per capita income of individuals living in the Maritimes is only 65 per cent approximately of the Canadian average. We have, due to our remoteness from the great population of Central Canada, been precluded from taking part in the phenomenal post-war economic boom that most Canadians have had the good fortune to have enjoyed.

21. Annexed hereto as Table "C" is a statement showing lumber sawn in the whole of Canada during the years 1948-1958 inclusive, as well as the quantity sawn in Nova Scotia and New Brunswick, and it will be observed that the percentage of the total of the lumber sawn in Canada, which was sawn in these two provinces, has been reduced from 10.50 per cent in 1948 to 5.29 per cent in 1958, which illustrates the relative, as well as the absolute, decline in Nova Scotia and New Brunswick. The decline is further evidenced by Table "E" hereto annexed, which gives the number of sawmills sawing more than 15,000 feet board measure annually during the years 1952-1957 inclusive. That table indicates that the number of mills have been greatly reduced.

22. It is significant that Canada at one time supplied 50 per cent of the United Kingdom softwood lumber imports as against the estimate

of 11 per cent for 1959. Among the major contributing reasons for this development is the ever mounting pressure exerted by Russo-Scandinavian sales in the United Kingdom. An interesting development in this connection has been that in 1958-59 mills located at a port of within trucking distance from such a port have lost fewer United Kingdom sales than those forced to use rail transport to seaboard.

23. The decline of the foreign market has forced the Maritime Lumber industry to turn to the domestic markets. The point there is that due to very heavy competition by the Russians the prices have fallen to such an extent in England that only those mills that have very little or no transportation charge were able to compete.

In the Central Canadian market the industry encounters the competition of local shippers who set or influence the price in that market. As has been illustrated in Table "B", the Maritime Lumber industry has had to bear a greater transportation cost than its competitors. This situation limits severely the ability of Maritime lumber shippers to reach the Ontario and Quebec markets which must, in view of prevailing conditions, absorb a very substantial part of the Maritime lumber production annually, if the industry is to survive.

24. Central Canada has traditionally been a market for lower grade lumber. This grade

develops in every sawing operation and in some cases reaches as much as 25 per cent of a mill's total production. To enable Maritime shippers to sell this product, they must reach the Central Canadian market. Because of the fact that this grade is low priced, freight charges constitute a much larger portion of the delivered price and, therefore, are of more significant importance.

25. Although the producer's return on this low priced lumber is minimal, it helps defray overhead expenses. It is obvious, therefore, that any curtailment of the market for this type of lumber would increase the overall costs of the Maritime Lumber industry making it less competitive in overseas and domestic markets and leading to a progressive curtailment of its operations.

26. It must be remembered that not only the present but the future of the industry has to be taken into consideration. The railways applied for an increase which, owing to action of the Government, has not been heard by the Board. In addition, the railways are faced with demands for higher labour costs. If and when these expenses are to be met and the method of authorizing percentage increases will be applied in the future, it would appear to be inevitable that unless some other method is devised, the Maritime lumber industry will be faced with higher transportation costs which will not be encountered to the same extent by its competitors. The Maritime lumber

industry is apprehensive and, it is submitted, reasonably so as to its future unless some solution to the problems mentioned can be found.

27. The problem of marketing our lumber in central Canada is one which, it is submitted, requires outside assistance as, for the reasons we have stated, it is beyond the power of the Maritime lumber industry to find an adequate solution in view of the considerations to which we have referred.

28. Another problem facing some of our members in the province of Nova Scotia is the absence of through rates, on lumber from stations on the Dominion Atlantic Railway to markets in eastern Canada. The additional freight handicap for those who are shipping from these D.A.R. points to Montreal, as compared to shippers located equidistant from Montreal on the C N.R is evident from Table "D" hereto annexed. It is submitted this is a matter that requires correction by the publication of joint through rates.

29. We therefore respectfully suggest that your Commission study very closely the intent of the Maritime Freight Rates Act, as set out in the preamble and in the authorities interpreting its provisions, and compare its relative effectiveness in 1959 as opposed to 1927. It is again submitted that the Act is not providing the assistance it was designed to give. This is readily demonstrated by reference to Table "B"

which indicates that even with the additional Maritime Freight Rates Act subsidy in 1957 and the removal of the most recent freight rate increase, the differential between the Maritime shipper and the Central Canadian shipper has widened in the common market by as much as 300 per cent. The industry cannot continue to absorb additional increases if it is to maintain and improve its place.

30. If, as we submit, your Commission will find that the economic levels are becoming progressively lower in our lumber industry, we respectfully request that the Maritime Freight Rates Act be revised to restore our relative freight cost position with the lumber producing areas of Ontario and Quebec, as was envisaged by the Duncan Commission and made effective by the Maritime Freight Rates Act, as of that time, and to ensure that future freight rate adjustments be of such a nature as to maintain the same relative position between our industry and our competitors.

All of which is respectfully submitted.

THE ACTING CHAIRMAN: Mr. Burchill, I think from what you have told us that when the 17 per cent became effective the railways first imposed the rate and then took it off later. That is right?

MR BURCHILL: Yes, sir.

THE ACTING CHAIRMAN: That is a good case of attrition because the railways in good faith undoubtedly tried to apply the increase to

this commodity but found that it could not carry the load, and took it off and that was done.

MR. BURCHILL: I think that would be a reasonable assumption to draw.

THE ACTING CHAIRMAN: Now, you suggest amendments to the Maritime Freight Rates Act, apparently you think the remedy is there but you do not suggest what it should be.

MR. BURCHILL: Well, I would like to say this: First of all, we I do not think can exist as an industry without being allowed to partake in that market of central Canada. All we are asking for is to be allowed to compete on equal terms with our competitiors. If we cannot compete on equal terms then we face a gradual shrinkage and, I suppose, eventual disappearance.

THE ACTING CHAIRMAN: In other words, you claim there is an inequity now and you want us to correct it?

MR. BURCHILL: Yes and how you would correct it I would not want to advise or suggest, but if there were some mechanism evolved or hit upon at the time of the Maritime Freight Rates Act whereby they allowed a 20 per cent subsidy, surely to heavens that can be projected and applied again so that this relative position is restored. As I say, we are not looking for anything better than anyone else has, but just equal treatment.

THE ACTING CHAIRMAN: Do you not think

if we can do it in any other way other than a subsidy that we should do it?

MR. BURCHILL: I agree, but transportation seems to be, as far as the Maritimes are concerned, a truly regional problem that is almost of the magnitude that has to be handled by Ottawa. In other words, the country is very big geographically and very small populationwise, and it may not be reasonable to assume that in these times of inflation it is possible for goods to pay their own way, and it may be that subsidies are the only answer. I think it should be studied.

THE ACTING CHAIRMAN: Well, there are only seven of us, and when we come to report and try to devise a mechanism we won't separate anybody, and if you have any ideas we would be glad to pass them on.

COMMISSIONER ANSCOMB: I do not know whether this is a fair question, but are you predicating your whole case on the fact that your problems here can only be adjusted by rate adjustment? Are there no other inequities within the Canadian nation, labour or localities, geography or anything else that make this thing difficult? Let me take you to the last three lines of your brief where you say:

> "... and to ensure that future freight rate adjustments be of such a nature as to maintain the same relative position between our industry and our competitors."

With that wording, and I do not say it is too technical, but with that wording you say that you have an equity in labour and geography and in something else, but just brush them all aside that the freight rates must take care of them all. You do not mean that, but that is what you say.

MR. BURCHILL: If you get that impression-- I must say this brief is beamed at freight inequities, and that is all we mean. The industry is pretty well homogeneous, in other words I would have the same conditions in Northern Ontario that we find down here with regard to other matters, size of trees and that kind of thing.

THE ACTING CHAIRMAN: As I understand you, you are saying that freight enters so much into the cost of production for sale that you have to have some relief to stay in business?

MR. BURCHILL: No. What I say is it does not make any difference what the freight rates are as long as the other fellow has to pay the same freight. All we want to do is to establish ourselves on the same equitable relative basis as he is.

THE ACTING CHAIRMAN: That is where you come back to the inequity?

MR. BURCHILL: That is right, yes. You see, in view of the thinking that predicated the formation of the Dominion of Canada, these are ideas that we understood to be necessary if we

were to form the Dominion and certainly it was carried out in the British North America Act and the Duncan Commission recognized that when they allowed the 20 per cent.

THE ACTING CHAIRMAN: We know very well that Tilley and Tupper pulled the provinces into Confederation.

MR. BURCHILL: And we are suffering.

THE ACTING CHAIRMAN: Mr. Cooper?

MR. COOPER: I only have one or two questions. The Maritime Lumber Bureau -- how many members have you got?

MR. BURCHILL: Generally, between, I would say, 175 and 200.

MR. COOPER: Are they all shippers of lumber, or producers?

MR. BURCHILL: They represent the whole trade right from the bottom to the top, because we have producers, exporters and the manufacturers and so on -- all one happy family.

MR. COOPER: Happy except for freight rates?

MR. BURCHILL: That is right.

MR. COOPER: Do you have any contact with Newfoundland in so far as your organization goes? Have you members there?

MR. BURCHILL: There isn't a big lumber industry in Newfoundland. We export or ship a good deal of lumber from Nova Scotia into Newfoundland. They have to bring it in.

MR. COOPER: But your Maritime Lumber Bureau does not include any dealers?

MR. BURCHILL: No.

MR. COOPER: Or producers?

MR. BURCHILL: There are very, very few producers; and the retailers are something different again.

MR. COOPER: That is all.

MR. MAURO: Mr. Burchill, are there any agreed charges among any of the dealers?

MR. BURCHILL: For getting lumber out of New Brunswick and Nova Scotia into Upper Canada?

MR. MAURO: Upper Canada?

MR. BURCHILL: Not that I know of.

MR. MAURO: These rates you have as an appendix are rates throughout the industry? There are no variations?

MR. BURCHILL: There may be. I mean, we pick some examples, and that sort of thing. I would say they showed the pattern. They ... what shall I say -- they give an indication; but they are not necessarily the same rates for all places.

MR. MAURO: Is there any competition from Ontario or B.C. lumber in the Maritimes?

MR. BURCHILL: No.

MR. MAURO: Would it be a fair statement to say that your problems really started with the loss of the overseas market?

MR. BURCHILL: No; the lumber industry in New Brunswick, I would say, was based, in the early, early days, away back in the first part of the nineteenth century, very definitely on the

overseas market, but from the time that the railway was built the upper Canadian market brought about by the development of central Canada at such a rate cut a very, very important part of our market; and I would say that you have it two ways.

MR. MAURO: Have you any figures as to the amount of lumber you shipped into Upper Canada, say, in 1949, as opposed to the amount you are shipping into Upper Canada now?

MR. BURCHILL: Well, this is going to shock you, but from what figures we have -- and I don't say they are too conclusive because there is no real means of getting them -- but based on railway loadings, and that sort of thing, the amount of lumber being shipped to Upper Canada is increasing, but we are taking less and less for it on a net basis, and the result is that the amount of lumber being produced is getting less and less and mills are going out of business. But we have to do it.

MR. MAURO: It doesn't shock me as a matter of fact, because people in north-west Ontario tell me that Maritimes lumber is representing a problem for them; and I was wondering whether there were any figures as to the number of sawmills that went out of business?

MR. BURCHILL: Yes, we have the figure.

MR. MAURO: I meant up there.

MR. BURCHILL: No, I don't know.

MR. MAURO: I am just trying to be of some assistance to the Commission, to give the

meeting some part of the picture as to the situation in the industry as a whole; because we certainly realize that the loss of the foreign market has had ramifications not only in the Maritimes but throughout the country.

MR. BURCHILL: The chances are if it hadn't shrunk less proportionate lumber would have gone up because it was more economic for shipment.

THE ACTING CHAIRMAN: Mr. Boyd or Mr. Wright?

MR. WRIGHT: Mr. Burchill, what percentage of the lumber produced in the Maritimes is exported?

MR. BURCHILL: To the U.K.?

MR. WRIGHT: To the U.K., or any other places?

MR. BURCHILL: Well, I would say from a quarter to one-third would stay in the Maritimes.

MR. WRIGHT: A quarter to a third would stay in the Maritimes?

MR. BURCHILL: Yes.

MR. WRIGHT: And how much goes to other parts of Canada?

MR. BURCHILL: Well, there, again, anywhere from a quarter to a third.

MR. WRIGHT: You are talking about quantity?

MR. BURCHILL: Just the quantities.

MR. WRIGHT: And the rest would go foreign, or to the U.K.?

MR. BURCHILL: The American market takes

a small percentage, and the U.K. takes the balance.

MR. WRIGHT: Mr. Burchill, in paragraph 28 of your submission, on page 8, you refer to the question of through rates on lumber from stations on the Dominion Atlantic to markets in eastern Canada. Do you know whether your Association, or any of the producers of lumber in the area who are affected, have asked the railroads for these through rates?

MR. BURCHILL: One thing I can tell you is that this is particularly a Nova Scotian problem, and there is going to be a representative of the Bureau appear before the Commission in Halifax to discuss this particular aspect in more detail and give you more information.

MR. WRIGHT: You are not prepared to answer that?

MR. BURCHILL: No, I am not familiar with the details.

MR. WRIGHT: Thank you.

THE ACTING CHAIRMAN: Well, thank you very much, Mr. Burchill.

I think that concludes what we have to do today.

Before we adjourn, I want to say how pleased the Commission is to see that there are a number of university students here this afternoon; because, after all, what we are trying to do here is to do something for them particularly, and for the youth of Canada. We don't mind exporting

our lumber and our sardines and our wheat, but we are not going to export our youth.

Now, we have a long list ahead of us tomorrow, because you are keeping us busy. The first on the list in the Fredericton Board of Trade and then the City of Fredericton.

Could we start tomorrow morning at 9.30? I understand that would be all right from the point of view of the Fredericton Board of Trade.

Then, we will reconvene tomorrow morning at 9.30, and, in the meantime, this meeting stands adjourned.

--- Whereupon the hearing adjourned until Tuesday, November 10th, 1959, at 9.30 a.m.

ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

FREDERICTON
N.B.

OLUME No.:

4

DATE:

November [illegible], 1959.

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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held in the Students' Centre, University of New Brunswick, at Fredericton, New Brunswick on the 10th day of November, 1959 at 9.30 a.m.

COMMISSION

Mr. M. A. MacPherson, Q.C.	Acting Chairman
Mr. H. Anscomb	Member
Mr. A. H. Balch	Member
Mr. R. Gobeil	Member
Mr. H. Mann	Member
Mr. A. Platt	Member

COMMISSION COUNSEL

Mr. A. G. Cooper, Q.C.

Mr. G. S. Cumming

Mr. F. W. Anderson	Secretary
Major N. Lafrance	Assistant Secretary

In the absence of Honourable C. P. McTague, Q.C., Mr. M.A. MacPherson, Q.C. presided.

THE ACTING CHAIRMAN: Will you come to order, please.

I think in opening this morning that Brigadier Wardell has a statement to make and we will have that first.

SUBMISSION OF
THE CHIGNECTO CANAL COMMITTEE

Appearance:

Brigadier Michael Wardell - Honorary Secretary

BRIGADIER WARDELL: Mr. Chairman and Commissioners: I have a matter that I want to bring to your attention. It concerns the Chignecto Canal Committee.

The Committee has been established for the purpose of carrying out an appraisal of the Chignecto Canal project as a natural extension of the St. Lawrence Seaway.

The canal would connect Northumberland Strait with the Bay of Fundy, cutting the Isthmus of Chignecto between Baie Verte and Cumberland Basin.

A shipping route would be established between the Great Lakes and St. Lawrence ports and those of Prince Edward Island, Northern Nova Scotia and the Bay of Fundy.

A competent economic research organization has been engaged to carry out the appraisal. The report will be available in

January 1960, and I wish to advise you of that fact, and, on behalf of the Committee, to beg your permission to submit it to you in due course when it is complete.

THE ACTING CHAIRMAN: Yes. I think I can say on behalf of the Commission we will be glad to receive it when it is ready, and probably in Ottawa if that would agree with your wishes.

BRIGADIER WARDELL: Yes, it would be entirely agreeable.

THE ACTING CHAIRMAN: And I can quite understand that you wouldn't want to shoot all your ammunition now. Thank you very much.

MR. COOPER: That will be marked as Exhibit 11, Mr. Chairman.

EXHIBIT NO. 11: Submission of Chignecto Canal Committee.

THE ACTING CHAIRMAN: I think the next on my list is the Fredericton Board of Trade.

MR. PATERSON: May I interrupt a moment. The brief of Ganong Brothers unfortunately will not be available today through illness in our organization, and we will probably submit it to you in written form at a later date.

THE ACTING CHAIRMAN: We will be glad to receive it. It will not be in the record today, but we will be glad to get it.

MR. COOPER: The submission of the Fredericton Board of Trade will be Exhibit No. 12.

SUBMISSION OF
FREDERICTON BOARD OF TRADE

Appearance:

Mr. K. F. Callbeck - Secretary-Manager.

EXHIBIT NO. 12: Brief of Fredericton Board of Trade.

MR. CALLBECK: Mr. Chairman, we have a supplement to the original brief.

THE ACTING CHAIRMAN: Your full name?

MR. CALLBECK: K. F. Callbeck.

THE ACTING CHAIRMAN: It is on behalf of the Fredericton Board of Trade?

MR. CALLBECK: Yes.

THE ACTING CHAIRMAN: All right, Mr. Callbeck.

MR. CALLBECK: Mr. Chairman and Members of the Commission, we would like to submit the following brief.

Tremendous strides have been made in the field of transportation in Canada since Confederation - from river boats to the steam engine, to the airplane, to large highway transports and buses, to piggy back service, diesels and, at present, the jet age. All have, and are playing, a very vital part in the growth of Canada. But, as these changes have taken place and new methods of transporting goods and passengers have entered the field, are they aware of the moral

[illegible]

obligation they assume when they are granted a franchise or license as a public carrier.

The pioneer and gambling spirit of our forefathers does not seem to exist today. The public carriers develop the most profitable phase of their operation and neglect the less profitable lines or services at the expense of the community affected. They seem to forget that they have a service to sell and the best salesman they could employ is a satisfied customer. Today can be called the jet or space age, or the era of the salesman. More salesmen are being employed to sell goods and services than ever before in our history.

What our public carriers should be selling is faster service, modern equipment, clean facilities, courteous service, safety, economy, efficiency and dependability. Are they doing a good job of providing and selling these services? Are they good salesmen? Do they have the proper services to offer?

A lot more cars are being sold and used for long distance travel each year due to the neglect of the wishes of the people by our public carriers.

St. John River and Public Wharves: With the improvement of our railways and highways it seems that we assumed that the role of river transportation had elapsed with time and our rivers and public wharves have been neglected entirely.

Very few people realize the amount that the St. John River contributes to the economy of the lumber industry of central New Brunswick and the St. John River valley. Also, the St. John River can and will contribute considerably to our economy by improved facilities and attracting large commercial and pleasure crafts to explore our inland waterways.

The St. John River takes on an even more important role with the opening of the St. Lawrence Seaway (and, we trust, an early approval and start on the construction of the Chignecto Canal). Bulk products can be loaded at the lakehead in shallow draught boats and delivered directly to our wharves in Fredericton following a sheltered course all the way. This would be most beneficial to our livestock and poultry producers.

At present there are only two companies using the St. John River and the efficient use of the river is affected by low water during the summer months.

We would ask that an immediate survey be conducted to determine the amount of dredging that would be required to bring the St. John River back to its original role as a transportation link. Also, as the city of Fredericton has a proposed program for river front improvement under study, the mud removed from the river channel could be utilized to advantage.

Also, we ask that immediate attention

be given to our public wharves along the St. John River that have been allowed to deteriorate to a point where they are unfit for use by the present river traffic, both commercial and pleasure.

Rail Service - Passenger: Very little good can be said for the passenger rail service out of Fredericton for western points and the railways are definitely not interested in selling this service or it would have been improved years ago.

If the C.P.R. is interested in passenger service out of Fredericton and Central New Brunswick, they would immediately inaugurate sleeping car service with a modern car and not one that has been discarded from another service. It definitely is not inducive to increased use by the public when a traveller from Fredericton has to travel second class from Fredericton to Fredericton Junction, leave the car and wait for considerable time for the train to arrive from Saint John, or, when it does arrive, walk down the track carrying his bags for a distance of five to eight cars on terrain that is very unpleasant, to say the least, particularly in the winter months.

We realize the service from Montreal to the West Coast is the finest rail service on the North American continent, but it should not be called "Continental" or "Canadian" as it does not serve Canada from coast to coast.

Rail Service - Freight: During the past few years the railways have claimed that truck transports have cut into their revenue to a point

where they are operating at a loss. Every phase of our economy has been and is going through a very competitive period with the result that, in other fields, we are getting cheaper and better service. We feel that this twentieth century competition is playing a very important part in our national growth and that the public carriers will learn that, if they are going to have a part in our improved economy in the central New Brunswick area, they will have to render fast, efficient service at competitive prices.

One point that should be considered as an effective way of giving cheaper service to Maritime points is more efficient use of rolling stock by granting lower freight rates on all tonnage over the minimum. Most new cars have a capacity of up to 60 tons and, as the minimum car load rate varies from 15 to 30 tons on bulk commodities, this could mean more efficient use of rolling stock and considerable saving to our Maritime agriculture and forestry industries.

Rail Service - Express: The express service has kept pace with progress beyond the passenger and freight service which backs up our theory that the public carriers have been and are guilty of developing the more profitable phases of their business and have been lagging in other departments, but, because we have not been critical of this phase of rail operation, we do not want to leave the impression that the carriers

should not continue to improve the service and efficiency as, due to the distance between our major markets, fast, efficient and economical service is very important to our future growth and development.

Air Service: Recently the Department of Transport bought the Fredericton Municipal Airport from the City of Fredericton and we trust we will have improved and enlarged facilities.

We have good service to and from Montreal but there is a definite need for improved service east to Halifax, Sydney and Newfoundland. If you would study the schedule east of Fredericton you would see that this service is not as good as it was a year ago. As far as the Boston and New England points are concerned, we have to admit that it leaves a lot to be desired and, if T.C.A. is unable to give us direct service to New England points we probably should consider having North Eastern Airlines extend their service to include Fredericton. Last year we had approximately 180 diverted flights land at the Fredericton Airport due to fog or adverse flying conditions over other airports in the region. So we ask for a closer look at the Fredericton Airport facilities for expanded services to fill our requirements.

Air Cargo: Air cargo service to and from Fredericton is determined by the time it is picked up at the point of shipment. If it is picked up by 3.30 p.m. it will be forwarded that

day. If it is shipped after 3.30 p.m. the shipment does not go forward until the following day which means a delay of 12 to 24 hours. Due to the cost of air cargo to the shipper it would seem that faster service could be given by making deliveries from the express offices directly to each flight. If the shipper did not have good reason for speedy service, he would ship by rail express at a considerable saving in the first place. Also there have been cases of neglect to unload at destination port with the result that the shipment was carried on to the next port and not delivered until the next flight back causing considerable inconvenience to the receiver. Greater care should be taken by the employees to insure prompt delivery.

Highway Transportation: We feel that carrier boards have been lax in granting licenses and not making it clear to certain carriers that they have an obligation to maintain proper schedules. We know of too many cases where goods picked up for delivery have laid in warehouses several days waiting for a full load before shipment is forwarded to its final destination. We feel that all public licensed carriers should submit and maintain a strict schedule as delays can be costly to shipper and buyer.

We feel that truck transportation has a very important part to play in our future development but we wish to see greater control re schedules.

Bus Service: The bus service from Fredericton to Saint John and from Fredericton to

Woodstock, Grand Falls, etc. on Route 2 and also on Route 8 to Chatham and Newcastle and points north is considered good. But we have a definite need for direct bus service to Moncton via Trans-Canada Highway Route 9. At present students attending the University of New Brunswick or Teachers College and servicemen stationed at Camp Gagetown travelling to Moncton or Nova Scotia and Prince Edward Island points have to travel to Saint John and then proceed to Moncton which requires six hours and fifteen minutes. As the travelling time would be cut in half by a direct route at about half the cost to the traveller, we feel that this request is justified due to our position as the educational, cultural and military centre of New Brunswick.

Since preparing this brief it has been announced in the press that there is to be a drastic increase in express rates and, due to our present dependence on manufacturers and suppliers in the provinces of Quebec and Ontario, this increase will have a tremendous effect on every phase of our economy.

Also, it has been announced that the non-operating rail workers will be asking for a wage increase which the railways claim will cost (if granted) an additional $65 million, and that this cost will be handed on by increased freight rates. If this comes about we, in the Atlantic provinces, will be forced to look to other sources of supply or a different method of transportation.

The economy of the Atlantic provinces cannot stand any further increases in transportation costs without drastically affecting the economy of a number of Maritime industries. The population of the Atlantic provinces is one and a half million people and who could blame us for looking to foreign markets for consumer goods that we are unable to produce here in our region. We trust that the railways, the manufacturers and this Commission keep these facts in mind as they study our transportation problems.

In conclusion we realize that the growth of Fredericton and central New Brunswick has been very encouraging these past few years, but, if we are to continue to grow on a sound basis we will require more efficient, faster and more economical service by our public carriers.

Our industrial growth and prosperity will be determined by improvements from not just one phase of transportation but from all.

We have been very critical in some respects, but we know that you, sir, and the members of your Commission want to hear the facts as they exist.

We are very optimistic about the future of Fredericton and Central New Brunswick as we have a lot of natural assets that can be developed. All we ask is that we are not treated as the poor cousins of Canada by our public carriers due to our lack of population. With proper consideration

for our needs we and the public carriers both can go forward to a brighter, more prosperous future which is our heritage.

THE ACTING CHAIRMAN: Mr. Callbeck, you approve of the dredging of the St. Lawrence River?

MR. CALLBECK: Yes.

THE ACTING CHAIRMAN: Do you have any idea what that cost would be?

MR. CALLBECK: No we don't. There are two particular places; the Oromocto Flats and the Westfield Flats which are filling in quite rapidly. Now, one of the companies or both companies that are using the river at the present time during low water, they can carry only 50 per cent of their fuel capacity as the boats are dragging on the river bottom, but it wouldn't be too big an area in those two particular flats.

THE ACTING CHAIRMAN: Would it be in the millions or tens of millions, or how much money approximately would it cost, do you think?

MR. CALLBECK: Well, we didn't have the facilities when this came up to make a survey; I wouldn't be able to answer that.

THE ACTING CHAIRMAN: Now, you realize, of course, that one of the problems of the jet age is the passenger rail service; I mean, the two are more or less tied together, are they not?

MR. CALLBECK: Yes.

THE ACTING CHAIRMAN: And, of course, I think it is notorious how in rails today generally

there is a great loss in passenger service; you realize that?

MR. CALLBECK: Yes.

THE ACTING CHAIRMAN: And I can understand your annoyance and your criticism as to your local service, but it has to be tied up, of course, with the general rail picture and the necessity for economy and the competition from buses and highways and airways, and everything else.

MR. CALLBECK: Having used the service, it is nothing less than very, very annoying to just have to go through it as we picture it there. I did that with my family, and when you go out, particularly in the winter months, and have to walk down the tracks on a lot of ice and carry your bags -- there is not even redcap service.

THE ACTING CHAIRMAN: Mr. Wright is here on behalf of the Canadian Pacific Railway, and I am sure he is concerned with maintaining that wonderful reputation the C.P.R. has always had across Canada. We will see if there can be any improvement. I don't know what the situation is.

Now, I notice that you covered the waterfront pretty well as to transportation, and I don't know that any of us really in this jet and space age gave consideration to what your future market will be; that may mean another Commission in five years time, but we will try to keep in mind everything you have said, and one thing we certainly don't want to do is to have the people of this district regarded as poor cousins in

Canadian economy; we are all Canadians.

MR. CALLBECK: Thank you.

THE ACTING CHAIRMAN: Any questions, Mr. Anscomb, Mr. Gobeil, Mr. Balch, Mr. Mann?

COMMISSIONER MANN: Mr. Callbeck, on page 2 you make the suggestion that bulk products can be loaded at the lakehead in shallow draught boats, and delivered directly to your wharves in Fredericton following a sheltered course all the way, and you say that this would be beneficial to your livestock and poultry producers. What commodities do you have in mind particularly, seed grain?

MR. CALLBECK: Yes, seed grain.

COMMISSIONER MANN: Would you think it would be a benefit to the seeder in having -- this is bulk seed grain you are talking about, or is it bag seed grain?

MR. CALLBECK: Bulk.

COMMISSIONER MANN: On page 4, at the bottom, you make the statement that more efficient use be made of rolling stock by granting rates that are lower if the carload minimum is exceeded?

MR. CALLBECK: Yes.

COMMISSIONER MANN: I do know you will agree with me when I suggest that this is being done in a good many cases by the railways today. We have, in the freight rate structure, provision for just what you have in mind, and it is being done quite frequently.

MR. CALLBECK: In some commodities.

COMMISSIONER MANN: Quite a few of them?

MR. CALLBECK: Yes.

COMMISSIONER MANN: At page 6, under the heading of "Air Cargo" -- I wonder whether, perhaps, for the record, we might agree, you and I, that what you mean by that is "Air Express"?

MR. CALLBECK: Yes.

COMMISSIONER MANN: Rather than "Air Cargo"?

MR. CALLBECK: Yes.

COMMISSIONER MANN: Because air cargo doesn't travel on a schedule; air express does.

On page 7 you mention that on the bus service connecting Fredericton and Moncton, you have to go to Saint John at the moment, which, I admit, is a very roundabout way. Have you taken that up with S.M.T.

MR. CALLBECK: No. This came up when we were preparing the brief. I will have to make an apology in this respect, that our Chamber of Commerce has been organized only a short time and we set down a number of problems, and our Transportation Committee will be studying and following up all of these recommendations.

COMMISSIONER MANN: I should have prefaced my remarks, Mr. Chairman, by congratulating Mr. Callbeck on the organization of a Board of Trade in Fredericton. It was done fairly recently, and Mr. Callbeck has just taken over; and I think the Board of Trade is doing a very good job.

THE ACTING CHAIRMAN: There is one question I would like answered, from a question that Mr. Mann put. It is in connection with feed grain. There is subsidized feed grain presently from the West to the other provinces?

MR. CALLBECK: That is right.

THE ACTING CHAIRMAN: How important is that to agriculture in New Brunswick?

MR CALLBECK: It is very, very important at the present time, and it will continue to be very important in the future of livestock and poultry production in the Maritime provinces.

THE ACTING CHAIRMAN: Would you, on behalf of Fredericton Board of Trade, say it is essential?

MR. CALLBECK: It is very essential.

THE ACTING CHAIRMAN: If there was none of this western grain, then, what feed would you use -- corn?

MR. CALLBECK: Corn ...

THE ACTING CHAIRMAN: ... from the U.S.A.?

MR. CALLBECK: We would hate to admit that if we didn't have western grain coming in under subsidy, it would be an encouragement for the Maritimers to grow grain here, and probably will come about in time that we will be producing more grain; but with our conditions here in the East the farmer can't produce and compete with the price of Western grain today.

THE ACTING CHAIRMAN: This subsidy was put on as a war measure, if you will recall?

MR. CALLBECK: Yes.

THE ACTING CHAIRMAN: And it then continued right through?

MR. CALLBECK: Yes.

THE ACTING CHAIRMAN: And to give us some idea of the extent to which this is a drain on the Treasury, I think that, to date, about $300 million has been spent on this assistance alone.

MR. CALLBECK: Yes.

THE ACTING CHAIRMAN: Mr. Cooper, have you any questions?

MR. COOPER: I have no questions, Mr. Chairman.

THE ACTING CHAIRMAN: Mr. Wright or Mr. Boyd?

MR. BOYD: I have just one or two questions, Mr. Chairman.

Mr. Callbeck, you have mentioned the passenger service between Fredericton and Fredericton Junction, and I notice that in the brief which the City of Fredericton is submitting they have also mentioned this same subject. I suppose the point to which you refer is that being discussed by the city?

MR. CALLBECK: I presume so.

MR. WRIGHT: Are you personally familiar with the discussions which have taken place between the City and the officials of Canadian Pacific with respect to this service?

MR. CALLBECK: Well, I know that there have been numerous discussions; that is all that I am aware of .

MR. WRIGHT: You weren't in on any of the discussions with any railway officials?

MR. CALLBECK: No. We have just organized the Board of Trade.

MR. WRIGHT: Well, in making your submission, I take it you haven't had the figures showing the number of passengers who use this service?

MR CALLBECK: No.

MR. WRIGHT: And you are not aware of the cost of providing the service?

MR. CALLBECK: No. I still feel that this is a selling age, and for the C.P.R. to build up that service they have got to provide the services which the people -- the travelling public -- require.

MR. WRIGHT: Well, perhaps, since you have not been in on the discussions yourself it might be better if I discussed this phase with the City of Fredericton.

MR. CALLBECK: Yes. We would like to have your comments on that -- the reasons why it is not provided.

MR. WRIGHT: One thing I might ask you, is this: The station at Fredericton Junction was renewed in 1955, wasn't it?

MR. CALLBECK: Yes.

MR. WRIGHT: A new station was built there?

MR. CALLBECK: Yes.

MR. WRIGHT: And that station was extended

in 1958?

MR. CALLBECK: Yes; but on one occasion I went up there with my family -- I don't know if they were all passengers or there was just a number of people around -- but we had to wait for 1-1/2 hours, and we had to stand until the train came in.

MR. WRIGHT: Was that before the station was extended?

MR. CALLBECK: That would be -- the last time I had my family with me -- that would be a year ago last February.

MR. WRIGHT: Was that before the station was extended?

MR. CALLBECK: Well, I wouldn't know; but I know there weren't any facilities there on that particular night.

MR. WRIGHT: Thank you very much.

COMMISSIONER ANSCOMB: I come from the Banana Belt at the other end of the nation. Do I understand you really to mean that if this subsidy was not on Western grain the people in the area would develop it themselves and be competitive?

MR. CALLBECK: No, they wouldn't be competitive, because with the size of our farms in the East we couldn't be competitive with the western farmers so far as growing grain is concerned.

COMMISSIONER ANSCOMB: Perhaps I didn't express that correctly; but if you didn't have a

subsidy out of the national Treasury you could look after yourselves?

MR. CALLBECK: It would take a period of years.

COMMISSIONER ANSCOMB: Yes, that may be so; but it wouldn't be too long. You have got tomorrow.

THE ACTING CHAIRMAN: This subsidy goes to the Banana Belt, too, doesn't it?

MR. CALLBECK: Yes; it certainly assists us people in the east, and people from the Banana Belt; is also of assistance to the western farmer.

COMMISSIONER ANSCOMB: That might be so.

MR. CALLBECK: We have been told that so many times, that this assistance is helping us; it was put on to assist us; but it has also assisted the western farmer.

THE ACTING CHAIRMAN: Well, you weigh one against the other -- your need against the market.

I think, gentlemen, I should now present to you our lost member, Mr. Gobeil, who is here this morning. With the exception of the Chairman we are now all present.

Mr. Mauro, have you any questions?

MR. MAURO: I was just about to enter the lists on the grain matter, but I think I had better let it stand.

THE ACTING CHAIRMAN: I think, for the record, I should also state that there are

here, as observers, Mr. Oliver and Mr. Carmichael from Saskatchewan.

Thank you very much, Mr. Callbeck.

We will now have the City of Fredericton.

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SUBMISSION OF
THE CITY OF FREDERICTON

Appearances:

Mr. Wm. T. Walker	-	Mayor
Mr. Charles J.A. Hughes	-	City Solicitor
Mr. Harry Farris	-	Member - City Council

EXHIBIT NO. 13: Brief of the City of Fredericton.

MR. WALKER: Mr. Acting Chairman, Members of the Royal Commission on Transportation, at this time I would like to extend a belated welcome to the City of Fredericton. I came up yesterday morning and I didn't have an opportunity, because you were in session, to extend a welcome to you. I think the Premier did an excellent job.

THE ACTING CHAIRMAN: Well, Mr. Mayor, we are most impressed with the friendliness of everybody in Fredericton and New Brunswick, and we appreciate the atmosphere that has been created here.

MR. WALKER: On behalf of the City of Fredericton and the city council I would like at this time to extend to you our very, very warm welcome.

THE ACTING CHAIRMAN: Thank you.

MR. WALKER: We would like you to say to the Chairman, Mr. McTague, that we are sorry he is not here and that we wish him a speedy recovery from his ailment.

Information we have indicates that you had some difficulty from the airport. I don't know whether that is true or not; but had you come in by train we would have known when you were coming in and would have met you on Monday morning -- because we have no Sunday trains.

THE ACTING CHAIRMAN: I may say, Mr. Mayor, that the Chairman forwarded to me the very kind letter that you sent to him, inviting us to come by train to Fredericton. However, we found that there was no train on Sunday, and we came by air.

MR. WALKER: Shall I proceed with the brief, Mr. Chairman?

THE ACTING CHAIRMAN: Yes.

MR. WALKER: The City of Fredericton believes that Canada's railways will in the foreseeable future play a role of continuing importance in the Canadian economy in spite of increasing competition from airlines, buses, the trucking industry and the private automobile.

The railways are to be congratulated on taking measures during the past 10 years to meet this competition through the introduction of such modern equipment as diesel electric locomotives, day-liners, the piggy-back service and the many safety devices which are now in use. The city feels, however, that there are conspicuous instances where the railways have lagged in competition particularly in the field of passenger service. One such instance is the service being

provided in the Fredericton-Oromocto area.

The City does not propose to present an extensive brief on transportation since this is being done by the Province of New Brunswick, the Maritime Transportation Commission, the Fredericton Board of Trade and other organizations. Consequently the matters which it is proposed to deal with are matters of purely local concern in passenger service in this area.

An editorial in the Daily Gleaner of October 24, 1959 described this area as "a rapidly expanding metropolitan concentration of population which has only branch line passenger service, fewer passenger trains than it had 35 years ago and no sleeping car service whatever."

The foregoing statement appears to be true in every respect.

Fredericton has a population of about 20,000 while Greater Fredericton - including the city and immediate surrounding areas - has a population of about 32,000. The Oromocto-Camp Gagetown area, only 10 miles distant from the centre of the city, has a population of about 11,000 and the entire retail trading zone, of which Fredericton is the centre, has a population many times that of Greater Fredericton. A comparison of these population figures with those of only 10 years ago gives an indication of the remarkable growth and development of the area.

The city has long called for improved

passenger facilities for this area, not only because of its growth and development but also because civic pride in New Brunswick's capital demands reasonable and proper passenger facilities and service.

The efforts of the Mayor of the City over the past several years to secure a sleeping car service between Fredericton and Fredericton Junction to make connection with the Saint John-Montreal main line passenger service have not yet been successful. A 22.2 mile Canadian Pacific Railway branch line between Fredericton Junction and Fredericton connects New Brunswick's capital with the main line. The passenger service facilities on this branch consist of a gas-electric car of unknown vintage, capable of hauling a trailer car. Two round trips between the City of Fredericton and Fredericton Junction are made each day except Sunday.

The city submits that something better than an obsolete gas-electric car could and should be provided. A passenger wishing to go to Montreal from Fredericton must either drive by car to Fredericton Junction or Harvey Station to reach sleeping car service on the main line unless he wishes to ride the gas-electric.

It is reported that the Canadian Pacific Railway Company maintains that a sleeping car service between Fredericton and Fredericton Junction is not economically feasible with a daily average traffic of less than 16 passengers requiring such service, and that when the situation was

surveyed by the company the daily average was about 12. It is submitted that if the company took into account the number of Fredericton residents who entrain at Harvey Station because of the inadequate service provided at Fredericton the necessary average would be attained.

Obviously much airline traffic between Fredericton and Montreal has developed because of the inferior service provided by the railways for residents of this area.

The City feels that a sleeping car service should be placed in commission on the Fredericton Junction line at least on a trial basis.

At the present time a "daily except Sunday" passenger service by dayliner is provided by the Canadian Pacific Railway Company from Saint John to Edmundston return through McAdam and Woodstock. It is suggested that since Fredericton is the centre of a retail trading zone with a large population in the Saint John River Valley, it would be desirable that the passenger service between Saint John and Edmundston should be through Fredericton rather than through McAdam. The City submits that a morning passenger service should originate in Edmundston, enter Fredericton by way of the Gibson Branch and continue to Saint John with a return trip through Fredericton in the afternoon.

I may tell you that what prompted that remark, or this submission, is that many of the

up-river residents claim that at the present time they must come down on the train at night, which necessitates them, if they are going out of Fredericton, staying over night until the next day; whereas, if they came down in the morning, and did their business they could go back at night. This has been suggested to me many times by the residents.

This service would enable a great many people in Central New Brunswick to visit Fredericton during the business hours.

The Canadian National Railway has rail facilities serving the Oromocto, Camp Gagetown and Fredericton areas from Newcastle and Fredericton. No passenger service whatever is provided by the Canadian National Railway between Fredericton and Saint John. Only a tri-weekly service is maintained between Fredericton and Newcastle. This service leaves Fredericton in the morning and returns late in the evening. It is suggested that a daily passenger service between Saint John and Newcastle, through Oromocto and Fredericton, should be maintained.

I might interject that if there were a service between Saint John and Newcastle it would provide a service, in addition, to the residents along the line. The most important service it could provide would be for the troops and the people in Camp Gagetown, many of whose homes must be in the intervening area.

To finalize the above the City of Fredericton proposes:

(1) That a sleeping car service between Fredericton and Fredericton Junction having connection with the Saint John-Montreal passenger service be inaugerated;

(2) That the Canadian Pacific Railway Company replace the gas-electric passenger car in service between Fredericton Junction with modern equipment;

(3) That a daily morning passenger service by dayliner be provided by the Canadian Pacific Railway Company between Edmundston and Saint John by way of the Gibson Branch and Fredericton, returning in the afternoon;

(4) That a daily passenger service be provided by the Canadian National Railway between Saint John and Newcastle and return.

We trust that your Commission will give favourable consideration to our submission and all others dealing with the condition of railway passenger service in this area.

THE ACTING CHAIRMAN: Thank you, Mr. Walker. I take it that you recognize railways as essential to the community?

MR. WALKER: Yes, sir.

THE ACTING CHAIRMAN: But something like the corny joke on our mothers-in-law, we reserve the right to be critical of what they do.

MR. WALKER: That is right, as do all people in business.

THE ACTING CHAIRMAN: But we still have to have them. Are there any questions?

MR. BOYD: Mr. Walker, part of the brief is directed to the Canadian National Railways and I wonder if you would make it more effective if you gave us a copy of your brief.

MR. WALKER: I am sorry, they were left at the hotel last night.

MR. BOYD: If you will give us a copy of the brief I will see it goes to the head office. Would your suggestion of augmentation of passenger service change if the investigation showed those services were not self-supporting?

MR. WALKER: That would impress me altogether because as you probably know, it has been sort of an obsession with me, and I have been very deeply concerned with the type of service we have been getting. I maintain, and maintain continuously that the railway companies are in business the same as anyone else, and the results obtained are, to a great extent, judged by the amount of effort they put into it. It has been my experience every time there is a change in service or running schedules all that appears is a small note saying the timetable has changed. That is not true in other parts of Canada.

MR. BOYD: I am really concerned with the overall effect, but assuming the necessary advertising and publicity and promotion as to passenger

service still operates at a loss, would it be your idea to continue operating at a loss?

MR. WALKER: May I tell you what I told your President? All businesses have some losing operation, but in the overall picture, you have freight and express and telegraph services, and I would guess that you get about 75 per cent of the freight --

THE ACTING CHAIRMAN: Would you speak a little louder?

MR. WALKER: It is my thought that the C.P.R. get about 75 per cent of all the business in Fredericton, freight, express and telegraph services, and I think as a result of that they have an obligation to provide a little more to the City of Fredericton.

MR. BOYD: I take it you are prepared to have freight earnings subsidize any losses?

MR. WALKER: Let us say you do not have the freight and express. Let us say as a result of the type of service you are giving there came objections from those who give you the freight and express, then what?

MR. WRIGHT: Mr. Walker, this question with respect to passenger service between Fredericton and Fredericton Junction is not a new one, is it?

MR. WALKER: No, sir.

MR. WRIGHT: It has been under discussion for several years?

MR. WALKER: That is right.

MR WRIGHT: And there have been some changes made?As a result of discussions, a new station was built at Fredericton Junction?

MR. WALKER: Yes.

MR WRIGHT: And it was extended in 1958?

MR. WALKER: When it was found inadequate.

MR. WRIGHT: And there were some improvements made in the gas-electric car that operates?

MR. WALKER: That is true.

MR WRIGHT: And I believe that the officials of the Canadian Pacific have spent considerable time discussing this with you and corresponding with you about it?

MR. WALERK: That is true.

MR. WRIGHT: I think it was in October of 1957 a group of Canadian Pacific officials came to Fredericton and met with you and other representatives of the city of Fredericton, did they not?

MR. WALKER: Well, if you say so, I have no way of knowing that.

MR. WRIGHT: You recall Mr. Bailey, the Vice-President being here?

MR. WALKER: Yes.

MR. WRIGHT: And I believe you met that day and had a long discussion about this matter?

MR. WALKER: That is right.

MR. WRIGHT: And no doubt you put to these officials all the reasons which you felt

should be given consideration by them?

MR. WALKER: I would assume that was so, yes.

MR. WRIGHT: So that your side of this case has been fully put to the Canadian Pacific officials?

MR. WALKER: I am afraid I can expand a great deal on what I have already said.

MR. WRIGHT: But you have had an opportunity to say everything you want to say about it?

MR. WALKER: Yes, I would think so.

MR. WRIGHT: And you have been given that opportunity by the Canadian Pacific?

MR. WALKER: Well just a moment -- all right, yes.

MR. WRIGHT: And I expect that you have heard from the C.P.R. their reasons for not being able to provide the service you would like to have?

MR. WALKER: Not a convincing reason, no.

MR.WRIGHT: The reason has not convinced you, but at least they have given you the reasons?

MR. WALKER: Yes, their reasons.

MR. WRIGHT: And following this meeting in October, 1957, you were told that the Canadian Pacific did not consider that the traffic justified the service which you were requesting. That is so, is it not?

MR. WALKER: Well, without betraying a confidence, I might tell you that one of your fairly

high level officials indicated to me that it could be a paying proposition.

MR. WRIGHT: Yes, but you have heard otherwise from the highest official of the company, have you not?

MR. WALKER: Well, I do not think definitely. I do not think it was ever investigated closely enough. Do you?

MR. WRIGHT: Well, I am not here to answer questions. I am asking you to tell me what investigation has been made and it would seem a fairly full investigation has been made by the Canadian Pacific officials of your problem. Since that meeting you have carried on some correspondence with the President of the company, have you not?

MR. WALKER: Mr. Wright, I was not being facetious when I reversed that question to you. I am sorry.

THE ACTING CHAIRMAN: I think Mr. Walker is treating us as a court of appeal.

MR. WALKER: There is nothing wrong with that, sir.

MR. WRIGHT: And you have had some correspondence with the President of the company, and you have received the same answer, have you not, that the traffic does not justify a change?

MR. WALKER: That is right.

MR. WRIGHT: Some mention has been made about Sunday service: Is it not so that during the winter months from November 15 to March, I

believe it is, there is a Sunday service between Fredericton and Fredericton Juncton?

MR. WALKER: That is right.

MR. WRIGHT: That is all.

COMMISSIONER BALCH: Mr. Chairman, I would like to make a few observations to the two railroads, the Canadian National and the Canadian Pacific. I am very much in sympathy with what the Mayor of Fredericton has stated. It appears to me that the railways approach this from the wrong angle. In other words, they have indifferent service, and the moment they have indifferent service, they start to lose business instead of improving that service and trying to get the business back, they immediately make the service worse. I would like to tell you my own personal experience. Our group -- there are eight of us in the National Committee -- we meet every year across the country, and we try to meet in the capital cities of the provinces. We used to meet at Fredericton, but the very fact that we had to go into Saint John and lay there overnight, we discontinued coming to Fredericton because we stopped off at Moncton. The service was not good enough for us and although we were all railroad men, we recognized the fact if we did go into Fredericton we would help out the service, but time was an element as well. I feel the railroads approach this question in the wrong way. In the last month or two I think we will find that

both the railroads have set up a program that they are definitely going after the passenger business instead of trying to destroy it as they have in the past. I am probably making strong statements, but that is my personal opinion and the opinion of the rest of us railway men. We think that an effort has not been made to get the passenger service they could get until the last two or three months. We see the representatives in the last two or three months coming in with the new system they put into effect to encourage passenger service. I will say that my reports now are that the passenger service is definitely increasing so I really feel that the city of Fredericton does have a case.

THE ACTING CHAIRMAN: Well, the reason given by the railways to you were financial reasons?

MR. WALKER: That is right.

THE ACTING CHAIRMAN: Any other questions?

MR. COOPER: No thank you, I have no questions.

MR. MAURO: No questions, Mr. Chairman.

THE ACTING CHAIRMAN: Thank you, Mr. Walker. We are impressed by the fact that you as the Chief Magistrate of Fredericton came yourself to present your brief on behalf of your people.

MR. WALKER: Thank you very much for listening to us.

SUBMISSION OF
ACADIA-ATLANTIC SUGAR REFINERIES LIMITED

Appearance:

Mr. Harry Hill - President

EXHIBIT NO. 14: Brief of Acadia-Atlantic Sugar Refineries Limited

THE ACTING CHAIRMAN: Yes, Mr. Hill?

MR. HILL: Mr. Chairman and Members of the Royal Commission on Transportation, we first must apologize to the Commission and to the interested parties for the fact that we found it impossible to comply with your request that a substantial number of copies of our brief be submitted to you well in advance. The fact is the ink is still wet on it and it came down last night.

Transportation is a problem of national concern to all the people of Canada. But it has always held a particular and peculiar significance to the people of the Maritime Provinces. We are not to be taken as saying that such aspect of significance is exclusively the continuing concern of the Maritimes. Our purpose in this submission, however, is to show the vital importance of transportation to the maintenance and development of Maritime Industry and to review what has been done and still needs to be done to relieve the burden of transportation costs on the movement of Maritimes' production into the important

central Canadian markets.

That there is such a problem requires no proof. This problem has been to the forefront of all Maritime thinking over the years since Confederation and has resulted in innumerable submissions to successive Federal Governments over the years.

Thus the Royal Commission on the Maritimes Claims in its report -- usually referred to as the Duncan Report dated September 23rd, 1926 -- in effect, advised in its opinion, after consideration of the submissions by the Maritime provinces, that the Intercolonial Railway was designed among other things ... "to afford to Maritime merchants, traders and manufacturers the larger market of the whole Canadian people instead of the restricted market of the Maritimes themselves". Also it states that to consummate the events and pronouncements prior to Confederation, "That to the extent that commercial considerations were subordinate to national, imperial and strategic considerations, the cost would be borne by the Dominion and not by the traffic that might pass over the line".

Further this report made recommendations "respecting transportation and freight rates for the purpose of removing a burden imposed upon the trade and commerce of such provinces since 1912 which the report states it was never intended that such commerce should bear in view of the

pronouncements and obligations undertaken at Confederation".

These recommendations led to the passage in 1927 of the Maritimes Freight Rates Act (Chapter 44, 17 George V).

This legislation was intended to relieve against the burden of transportation costs on the movement of products of Maritimes' industry into the central Canadian markets and thereby it was hoped not only to stay the exodus of industry that was being forced out of the Maritimes by the competitive disadvantage of Maritimes' location and transportation costs resulting therefrom that could not be included in the price of the product when sold in such central markets but also to give encouragement to the location of new industry in the Maritimes that would be producing substantially for the central Canadian markets.

Reference is made to this statute for its precise terms. Preferred movements of freight traffic are defined in the Act, the chief of which is westbound traffic by rail to points in Canada beyond the limit of the Eastern lines at Diamond Junction or Levis. A 20 per cent reduction below the tolls or rates existing on July 1, 1927 was established applicable in the case of the westbound freight traffic above described to the eastern lines proportion of the through rate. This has come to be known as a

subvention, reimbursement of the amount of the reduction being made to the railways by the Federal government.

It is significant that traffic moving eastbound from Canada -- all rail from points in Canada not on the eastern lines eastbound to points on the eastern line (thus Toronto to Moncton) was specifically defined not to be a preferred movement.

Authority was also given in this statute to the Board of Railway Commissioners (now the Board of Transport), to adjust or vary such reduced tariff of tolls as new industrial or traffic conditions arise, but always in conformity with the intent of this statute.

Notwithstanding this measure of relief against the problem of transportation costs on the movement of Maritimes' products into cental Canadian markets the industrial activity of the Maritimes has not improved - it has, in fact, worsened. Nor has there been any substantial replacement of such industries in the Maritimes down to this date.

Today, the problem remains and is becoming steadily more critical. While it is clearly recognized and acknowledged, no solution has been developed. The obligations of the federal Government so clearly established as part of the basis of Confederation have not to this date been dealt with as a matter of a settled policy. There have been grants to the Maritime

provinces in special circumstances from time to time and the amount of subvention on preferred movements of goods from the Maritimes was increased from 20 per cent to 30 per cent in 1957.

Manufacturers must still absorb in a substantial way the transportation costs on the movement into the central Canadian market without being able to recover such costs in the price of the product when sold as the manufacturers located in or near the central Canadian market have no such element of cost.

The Honourable George M. Hees, Minister of Transport, stated the case in simple straightforward language when speaking at College Bridge, New Brunswick on May 28th, 1957, as follows:

> "Prosperity in the Atlantic provinces hinged largely on the sale of Maritime products in the central Canadian market. But this was possible only if freight rates enabled them to compete with products from other areas.
>
> The contribution which the federal government is promising as an adjustment to the Maritime freight rate structure is only a drop in the bucket and at best can be considered only a partial stop-gap. A full scale revision of the Act is the only thing which can bring long overdue justice to the producers of the Maritime provinces".

[illegible]

In a very summary way the historic position of the Maritime provinces in this matter of transportation costs has been stated. While this is not the first Commission to inquire into the problem of transportation in Canada, it may well be the first to have within its terms of reference a study of transportation as it affects the Canadian economy from coast to coast.

Notwithstanding the wider national scope of the terms of reference this problem of Maritime transportation costs has its own basis of justification in Confederation to support its claim for a settled policy that will make competitively available to Maritime merchants, traders and manufacturers the larger markets of central Canada. The economy of the Maritime provinces requires such a settled policy in respect to transportation costs. The penalty of Maritime location must be lessened so that a fair and increasing amount of trade and industry from the Maritimes' provinces into the large central Canadian markets may develop.

No time is required for diagnosis; the solution for the problem remains only to be determined.

In this connection it is hoped that the experience of the second largest manufacturer in the Maritimes' provinces and the second largest shipper by rail to central Canadian markets may be of some value. It is with that in mind that we present to this Commission not only our

views on this basic Maritimes' problem but also the history of our operations and experience as a Maritimes' industry, which over the years has had to find markets in central Canada for 70 per cent of its production. We propose to tell you about our operations and the problem engendered by Maritimes' location. We propose also to indicate to you what would be the effect on Maritimes' economy if such an industry were lost to the Maritimes' provinces through pressure in the central Canadian markets from our competitors who are located within such areas and face no such burden of transportation costs as does this Maritimes' industry. We will point to the mounting competitive barrier which confronts us as a result of the total transportation costs which must be borne by our company in its geographic location. We will also state what policy or course of action in our analysis would provide an answer for this problem.

The experience of Atlantic Sugar Refineries Limited in the operation of its Sugar Refinery at Saint John, N.B., which has operated continuously since 1915, illustrates this tremendous disadvantage to manufacturers located in the Atlantic provinces, and goes a long way in establishing reasons why new manufacturing is not coming into this area. For many years, Acadia-Atlantic Sugar Refineries Limited has owned the Atlantic Sugar Refinery at Saint John. It also owns the Acadia Refinery at Woodside, Nova

Scotia, which was shut down due to wartime exigencies in 1942 and which has not been re-opened to date.

In presenting this brief to the Royal Commission on Transportation, Acadia-Atlantic Sugar Refineries Limited suggests that this Commission consider the transportation problem experienced by this company over the years as illustrating the problem of transportation common to all Maritimes' industry present and potential seeking central Canadian markets.

Review of Historical Situation: Atlantic Sugar at Saint John, N.B., started operating in 1915. At that time Acadia Sugar was operating at Woodside, Nova Scotia as an independent and unrelated operation. Two competitive refineries were then operating in Montreal, Quebec.

In 1915, the Atlantic provinces constituted almost 20 per cent of the population of Canada and there appeared to be no barrier to their normal growth. Indeed with their strategic location at the "front door" of Canada with 12-month ports giving water access to the world and with the guarantees which had been given them at the time of their entering Confederation of assured rail transportation costs, which would ensure their competitive participation in central Canadian markets, their economic prospects appeared excellent. Total transportation costs for producers of the area were favourable and it appeared from the pronouncements and obligations undertaken at Confederation that the geographic disadvantage

of Maritimes' location would not be permitted to mitigate against Maritimes' industry. It was in this believe that the founders of Atlantic were persuaded to locate at Saint John.

Sugar was then and continues to be a high tonnage, low profit margin commodity with transportation comprising a major element of cost in the delivered product. There is a relatively low loss of weight in the refining process, consequently it is not so important that processing be done at the earliest possible stage as would be true for a weight losing process. A refinery location at salt water held an advantage for year-round receipt of raw materials.

Our competitive transportation disadvantage today on the two-thirds of production sold in Central Canada amounts to approximately $800,000, reduced by subvention to over $600,000.

The so-called "home" or Maritime market has represented a steadily decreasing percentage of the company's total sales. This Maritime market has not grown for three basic reasons:

(1) The population growth has lagged to the point where the Maritime provinces today comprise about 10 per cent of all Canada versus 20 per cent in the early 1900 period.

(2) The per capita usage of refined sugar in the area has dropped to about 70 pounds per capita versus an average of 103 pounds in Ontario and 98 pounds in

Quebec. This disparity in sugar usage by areas will become more pronounced so long as the economy of the Atlantic region remains static. The reason for this is the steady increase in the commercial usage of sugar in manufactured products which are replacing the direct domestic usage. The commercial usage of sugar in the United States today accounts for over 60 per cent of all sugar refined versus about 35 per cent in Canada. This trend, however, is evident here.

The major manufacturers of sugar-content products are concentrated in the high volume market areas of Ontario and Quebec. Their products are shipped into our home area and many in fact contain our sugar which has borne double transportation cost - which sugar we have been obliged to sell at competitive disadvantage. This situation will obviously only correct itself when the prosperous growth of the Maritimes makes it attractive for such food products to be manufactured in the area.

(3) Recently this further factor has been added to compound the difficulty of operation in the Maritimes. Our home market has been invaded by our Montreal

competitors who were the beneficiaries in July, 1958, of a 70 per cent reduction in the rail freight rates on sugar. This rate reduction from $1 to .30 cents per 100 pounds was granted by the railways under Agreed Charge Agreement CTC (AC) No. 451 effective July 21st, 1958. Prior to that date, and in fact since Confederation, sugar moving into the Maritimes had been assessed class rates. The officials of the railways advised our company that "they felt legally compelled to extend the same rates - in all cases - on the same movement in both directions." At the same time, these officials freely admitted that no shipment of our competitors' sugar had been made to Saint John by other carriers or that there was evidence that other carriers had quoted rates for such movements that were equal to or below the rail class rates which had prevailed for so many years. It had been pointed out to them that there was no boat service operating from Montreal into Saint John.

Thus, under interpretation by the railways of the laws governing their operations, our Montreal competitors were granted for occasional shipments our

westbound agreed charge rate plus subvention on sugar thereby enabling them to ship their surplus production into our production centre and from there to distribute their sugar throughout our basic or home area under all the advantages to them to which we are entitled under the Maritimes Freight Rates Act (Referring to hereinafter as M.F.R.A.).

We believe that the Canadian railways acted in good faith in granting this concession, truly believing that they were compelled to do so. We, therefore, are not critical of them since we feel that they concur with us in the absurdity of this situation.

That this situation has not so far seriously affected our volume participation in our home market is a tribute to our product - our policies and their acceptance by our loyal customers in the region. That it could most seriously affect us in the future is a simple fact.

The increase in sugar consumption in Canada is in almost direct ratio to population growth. Thus by 1970, our sales will exceed 300,000 tons (600,000,000 pounds) per year, in the whole eastern Canadian market on the basis of our operation to date.

We have retained an outstanding firm of

industrial economists to project the probable population growth by market area for the period to 1970. Based on this projection, an estimate has been made by the company of its total freight absorption costs for each stage of normal sales' expansion. This estimate shows clearly the tremendous savings which could be made by the Company were it to produce at an Ontario location. The projected freight absorption costs for the Saint John location of the company would, of course, be vastly increased should the post-war pace of rising freight rates accelerate.

It is definitely indicated that the market for refined sugar in eastern Canada will increase at a rate that will shortly require our company to provide additional production capacity. The Saint John refinery is presently operating close to capacity. The company can provide the needed additional capacity in one of three ways:

(a) By additions to the Saint John refinery or
(b) by re-activating its long shut-down refinery at Woodside, Nova Scotia, or
(c) by location of such productive facilities away from the Maritimes and in the growing and larger markets in central Canada.

It is clear that neither (a) or (b) would be attractive so long as transportation costs remain as at present and continue to impose such a competitive barrier to the entry of Maritime products

to central Canadian markets.

Cause and effects: The huge freight absorption cost to be faced by this company by 1970 - if it expands in a Maritime location and operates only from the Maritimes - is an impossible competitive barrier. Some such projected barrier has undoubtedly influenced the largest shipper in the Maritimes in its announced plans to expand its operations in the Montreal area instead of the Maritimes. As the second largest rail shipper of Maritimes' product, the arithmetic of our case shows how the cost element of transportation is crippling to existing Maritimes' industry and more importantly a strong deterrent to the establishment of new high-tonnage - high employment industry which is essential to increased income purchasing power and growth in the Maritimes.

In our particular case, the barrier has grown several fold with the construction in Toronto of a competitive sugar refinery right in the heart of the principal sugar market of the country. This competitive location was only made possible by the construction of the Government sponsored and Government financed St. Lawrence Seaway. To our knowledge, no consideration was given to the end effects of the Seaway on Atlantic provinces industry and since the economic situation of these industries has worsened as a result of the Seaway - these industries and/or producers may rightfully expect whatever consideration is

necessary to preserve their previously established positions and to retain unimpaired such Atlantic provinces operations.

Compensation in some form - of sufficient degree and with assurances of continuity is necessary if the Atlantic provinces' industry - with a few specific exceptions - is not to be forced into re-location - retrenchment or straight abandonment.

The value of Maritimes' industry with productive capacity far in excess of the Maritime market - using such excess to create greater employment and purchasing power in the Maritimes from sales in the Central Canadian market - can be illustrated by reference to the present effect in the area of our substantial operations.

Over the years, Atlantic has provided steady employment at high income levels for some 800 employees of its Saint John refinery. Its Saint John payroll exceeds $2,500,000 per year. The present scope of Atlantic operations means to the province of New Brunswick - the support of 6,000 people including 500 school children - 900 households - 1,300 motor vehicles - 21 retail establishments - 2,800 telephones - the generation of over $10,000,000, of retail sales and an annual provincial turnover from its payrolls and other expenditures in the province of some $90,000,000 to $100,000,000 in the provincial economy. Our company as can be readily seen, forms a vital segment of the New Brunswick economy. The same scope of operation would not be a substantial

factor in the central Canadian economy.

The company's raw sugar imports bring an ocean-going vessel into Saint John harbour about 40 times each year. Its raw sugar imports represent the second largest commodity import of the eastern seaboard. This shipping activity provides direct employment for stevedores, ship provisioners, customs officers and the like on a steady 12-month basis. The presence of these ships in Saint John harbour facilitates export movement from the harbour by making shipping space readily available, and because the ships have a full in-bound load - out-bound loads are quoted at lower rates.

The modern bulk discharge facilities owned and operated by Atlantic were so constructed that they could serve the port generally - thus offering the only such port facility on the east coast of Canada.

The company's purchases of goods and services in the area exceeed $2,000,000 each year.

The company's charitable donations' policy takes full recognition of its Atlantic provinces location.

The company is the second largest rail shipper out of the Maritimes. It ships over 92 per cent of its product by rail.

THE ACTING CHAIRMAN: You have referred to being the second largest throughout. Who is the largest shipper?

MR. HILL: I think there is no doubt it is Dosco.

Its rail shipments of refined sugar substantially exceed the total rail shipments of all other sugar refiners in Canada combined. Its total transportation bill in 1958 was $3,282,950 of which $1,698,000 was paid to the Canadian railways. For the 70 per cent of its product which was shipped by rail long-haul to central Canada, it paid over $1,200,000. By adding the subvention paid to the railroads under M.F.R.A., it is conservatively estimated that our company's total rail movements in 1958 resulted in income to the railways of approximately $1,900,000. Over 3,000 carloads of our sugar moved westward out of the Maritimes during 1958.

If industry is forced out of the Maritimes, the consequences are clear to see. Without volume traffic moving out of the Maritimes, the railways undoubtedly could not carry traffic into the area at the rates now in effect.

The Canadian railways have always valued the volume of rail traffic generated by Atlantic. They have closely co-operated with and assisted the company over the years and continue to do so. To them, our long-haul business present and potential is of vital concern. That they have been compelled to make substantial rate concessions to our competitiors in central Canada, who are not predominately rail shippers, is understandable as these are areas of high carrier competition, particularly in trucking activity.

Saint John has been a pricing base point for sugar since 1915, similar to Montreal. With a freight rate structure favouring it in the Maritimes' home market, vis-a-vis Montreal competition - Atlantic has never taken any advantage of this differential but instead has always maintained the same base price as that established for Montreal. Thus it has never attempted at the expense of Maritime customers to capitalize on any freight advantage it enjoyed. It appears certain, however, that, if Saint John were not a basing and production point the price of refined sugar to the Atlantic provinces' manufacturers and consumers would increase more than 50 cents per 100 pounds. This simply means that sugar would join that great array of other manufactured items that demand a higher price in the Atlantic provinces than in central Canada because of transportation costs from central Canada.

It is most probable in such circumstances that major sugar-using manufacturers such as Moirs, Ganong's and Marvin's would find the increased cost of sugar, when added to their own present problems of transportation of their product to central Canada, forcing them to consider the matter of relocation closer to their markets and sources of supply. Mr. W.D. Ganong has stated publicly that Ganong's at St. Stephen, N.B. would be forced out of business if the Atlantic operations were moved from Saint John.

The final effects of any major Maritime industry shutting down would be far-reaching indeed.

What is the solution to this problem? The Minister of Transport has in a single sentence put the question and stated what would achieve the desired result, namely, freight rates on the movement of Maritime products to central Canadian markets that would enable such products to compete with products from other areas.

The question remains, how do we achieve this and by what formula should such freight rates be set? Present treatment under M.F.R.A. has been only a palliative and not an effective one at that. Something more realistic is needed that will take care of the condition which is only too clearly defined - something which will restore to the area and keep effective the transportation aid which it was guaranteed.

The Gordon Royal Commission on Canada's Economics contained the suggestion that "a radical overhaul of the Maritime freight rate structure" was called for. It suggested that "instead of the current straight 30 per cent federal rate subsidy on Maritime rail transport, the government ought to boost the subsidy on certain products".

Before we develop the several facets of importance on any consideration of our rail transportation problem and suggest corrective measures, we think it is important to a full understanding of our problem that we tell you the sources

of raw cane sugar for us and our competitiors and how it reaches us and them and the shipping problems involved in its transportation to Saint John and to our competitors in Montreal and Toronto.

Atlantic and its eastern Canadian competitors import raw cane sugar from the various world sources including Africa, Maritius, Australia, Cuba, the British West Indies and others. All imports are of bulk sugar and are usually in full cargo lots. Most of these imported cargoes are bought on a delivered c.i.f. basis with freight included in purchasers' account. Regardless of point-of-origin, the freight charge is based on the rate from Cuba to respective destinations. A large regular source of these sugars over the years has been Jamaica which point-of-origin might be used as an illustration.

It is 1,834 sea route miles from Kingston, Jamaica to Saint John, N.B., - 2,639 sea route miles to Montreal - 2,979 sea route miles to Toronto. Authoritative shipping sources state that a 15 knot vessel will make this run to Saint John in 5-1/2 days - to Montreal in 8-1/2 days - and to Toronto in 10 days.

Ocean shipping rates are currently depressed. The current quoted rate from Cuba to Saint John is .38 cents per cwt. - to Montreal .39 cents per cwt. - to Toronto .45 cents per cwt. In 1925, the Kingston to Saint John rate was 21 cents and to Montreal was 25 cents (earlier relative rate schedules are not available).

Thus it will be seen that while in 1925 the prevailing differential was 19 per cent between Saint John and Montreal, this has now shrunk to 3 per cent or less. Also seen is the present situation where it costs 30 times as much to carry our finished product to Montreal by rail versus our competitor's equi-distant movement of their raw material by water.

This we think in considerable measure is due to the availability of substantial quantities of grain at the port of Montreal in its open season which assures substantially full return cargoes. It is only in the closed season of the M ontreal port that any substantial quantity of grain is available at Saint John for return cargo.

It is our view that water rates on cargo inbound to the Maritimes and in particular to the Atlantic refinery at Saint John are higher by virtue of the fact that full outbound cargo is not as readily available at all times as can be expected at the port of Montreal in its open season.

Canada does not attempt to regulate ocean rates even within its territorial waters, thus permitting rate distortions between certain ports and, since the construction by Canada as a whole of the St. Lawrence Seaway with its long amortization program and very low tolls has seriously deteriorated the economic situation of Atlantic at Saint John, N.B., the company may rightfully

expect recognition and compensation in some form to preserve its competitive ability if it is to continue and expand its Saint John operation.

Indeed the Gordon Report in referring to the effect of the St. Lawrence Seaway on the Maritimes makes an appraisal as follows: "This Seaway project will not help the Maritimes, in fact, it could shift Atlantic ports into the Great Lakes".

In the face of such possibility of the decreased attraction of Atlantic ports to cargo ships with its consequent further distortion of water rates, our company is concerned that its rail transportation problem be resolved as quickly as possible. It would not appear that water rate differentials can be expected to return to realism so as to give any real advantage to our company in its present location.

We now propose to examine the several facets of the rail transportation problem as they affect Atlantic Sugar and to suggest correct measures for each:

(a) Maritime Freight Rate Act:

The M.F.R.A. provides some benefits to Atlantic on its central Canada shipments and benefits sugar consumers within the select area, (i.e. East of Diamond Junction). On sugar sold in the select territory, the consumer benefits from the 20 per cent subsidy on freight content as the company recovers out of the sale price its full cost of freight. Any change or reduction in

this 20 per cent subvention would reflect in the customers' cost of our product.

The 30 per cent subvention paid by the federal government to the railways on our sugar shipments out of the select area in 1958 of about $180,000 was equal to 15 per cent of the freight charges on sugar moving out of the select area.

Since July 21st, 1958, Atlantic's Montreal competitors have been able to ship their product to Saint John and from there to distribute sugar throughout the select territory at the same rail rates and with the same M.F.R.A. subvention assistance which Atlantic's Maritime product enjoys. Similarly, foreign refined sugar entering the ports of Halifax or Saint John is entitled, if it has cleared customs at the Port of Entry, to the full subvention assistance of M.F.R.A. in its rail distribution to any point in Canada.

An examination of the conditions which motivated the recommendations resulting in the introduction of the M.F.R.A., and as well a study of the present effectiveness of its provisions is called for.

The Act's main objective was to restore the original purposes of the Intercolonial Railway - "To afford to Maritime merchants, traders and manufacturers, a market of several

millions of people instead of their being restricted to the small and scattered population of the Maritimes themselves" - in other words, to assist Maritimes' products shipped to central Canada by reducing the cost of transportation on such movement.

Almost from the inception of the Act, the benefits intended to accrue to persons and industries in the Maritime territory have been cut away indirectly by the more concentrated competitive rate reductions in the central part of Canada where carrier competition has been most intensive.

It is estimated that the Canadian government payments to the railways under M.F.R.A. during 1958 totalled approximately $13,000,000. This appears to be a most modest contribution in aid of a struggling area.

When it is realized that over 55 per cent of this total was paid for intra-Maritime freight movements and less than 45 per cent on shipments out of the territory, the conclusion must be drawn that the main intent as disclosed by the Duncan Report and the preamble to the M.F.R.A. has been sidetracked. Also when it is known that a substantial portion of the total went to pay freight on products which were not produced in - which did not originate in - which contained no labour content of - and in many cases which were not destined

to - the Maritimes, then an abortive use of the Act seems apparent. (Example: Maine potatoes consigned to Central Canada after clearing customs at border point - European steel consigned to Toronto and Montreal).

The payment of a subvention on intra-Maritime movement of products surely cannot contribute significantly to the economy of the Maritimes. It does not bring any income into the area. We submit that a similar amount of money added in assistance to the outbound shipment of area products would increase the flow of such traffic and constructively be an aid in maintaining and expanding the Maritime economy thereby benefitting in a direct and material way, each resident of the area. The resultant aid to all local producers from the fisherman, to the potato grower, to all industry, would help open to them broadened markets - expanded volume - and thereby lower production costs and most importantly attract new industry.

Shipments which do not truly originate in the select territory - not being the production of the Maritimes nor manufactured in the Maritimes should be excluded from the benefits of the M.F.R.A.

Every producer and every company in the area has ambition for growth. Given an even break by realistic transportation aid

to growth markets they will realize those ambitions.

Every authority who has analyzed the M.F.R.A. find its provisions inadequate in furnishing the needed transportation stimulus to the Atlantic provinces. The Gordon Economic Commission, the Minister of Transport and many others - have pointed out the inadequacy of the Act and have called for its drastic revision.

The existence of a transportation disadvantage to Atlantic for its product in Central Canadian markets is so clear as to be self-evident. True, it is a part only of the larger problem of transportation disadvantage generally to Maritimes' industry that must find markets in Central Canada for its products. We have not attempted an analysis of this problem in a particular way as it might vary in the circumstances of particular industrial operations and marketing procedure.

But, we have given serious thought to the problem as it affects our operations to determine in what way and by what action, this transportation problem of ours may be elimianted or in any event reduced to a minimal burden in the movement of our sugar into Central Canadian markets.

We propose that the western limit or

boundary of the "select territory" now defined for purposes of the Maritimes Freight Rates Act as at Diamond Junction or Levis, should continue as the westerly boundary of the so-called Maritimes' area and that sugar traffic moving outward westbound, all rail from any point in the select territory beyond the limit of the eastern lines at Diamond Junction or Levis should receive a subvention equal to the full proportion of the through rate on the eastern lines and that the federal government assume the cost thereof and reimburse the railways accordingly.

This may well be a solution of general application to the transportation problem of Maritimes' industry seeking central Canadian markets. The Maritime Freight Rates Act has already established Diamond Junction or Levis as the break point in considering transportation assistance to Maritime industry on its traffic moving into central Canada. It has also established as a principle that the method for dealing with this problem of transportation costs is by rate reduction when it provided for 20 per cent and later 30 per cent reduction in rates on traffic moving over eastern lines westbound beyond the limit of such lines.

The design of such legislation was clear, namely to place Maritimes' products in the

trading areas of central Canada at no competitive transportation disadvantage as against competitors established in such areas.

The importance of this legislation in the view of Parliament can be gathered from Section 8 (Chapter 44, 17 George V) of this M.F.R.A. which reads: "The purpose of this Act is to give certain statutory advantages in rates to persons and industries in the three provinces of New Brunswick, Nova Scotia and Prince Edward Island, and in addition upon the lines in the province of Quebec mentioned in Section 2 (together hereinafter called "select territory") accordingly the Board shall not approve nor allow any tariffs which may destroy or prejudicially affect such advantages in favour of persons or industries located elsewhere than in the said select territory".

Now it is evident that the reduction in the rates of 20 per cent or even 30 per cent is not enough. Whether our proposal comes within the "drastic action or drastic revision of the M.F.R A." intended by the language of the Gordon Economic Commission Report, is not the final or substantial test. It may well be drastic but it is necessary so far as our company is concerned if our operations are to continue and expand in a Maritime location. Indeed the alternative

may well be the substantial loss of industry in the Maritimes and the reverse flow of such products from central Canadian manufacturers into the Maritimes - this is not a pleasing prospect but the conditions under discussion if not dealt with effectively, could well bring to pass just such a result.

(b) Rail Freight Rates:

Reference has been made to the suggestion contained in the Gordon Economic Commission Report that "instead of the current 30 per cent federal rate subsidy on Maritime rail transport, the government ought to boost the subsidy on certain products." This suggestion has been preceded by the observation that "unless some imaginative and bold steps are taken, the perpetuation of stagnation and poverty in the Atlantic region may choke this area and in an economic way isolate these provinces from the rest of Canada".

By reference to an authoritative statistical source, sugar moved by rail in the Maritimes during 1958 at an average return to the railways of 1.91 cents per ton mile. It moved to central Canada for a long-haul average yield to the railways of 1.32 cents per ton mile.

Coal moves from Nova Scotia to Toronto at a yield to the railways of 61 cents per ton mile and, after special subvention including M.F.R.A., at a cost to the product

of 15 cents per ton mile. Since before the turn of this century, grain has been moved in heavy volume 899 miles from Saskatoon to Fort William, at a total yield to the railways of 49 cents per ton mile.

There is ample evidence of many precedents whereby government action has resulted in special rates or subsidy on rail rates on specific products of specific areas for the purpose of maintaining and assisting the economy of those areas. It may well be, therefore, that in addition to a measure of relief generally to traffic moving westbound beyond the limits of the eastern lines some Maritime products require special assistance over and above such measure of general relief.

The form of this relief could be by way of a special rate on the movement of sugar supplementing the general rate reduction in the M.F.R.A. or by way of an adequate rate reduction of general application under the M.F.R.A. whatever may be the formula recommended, it must, we submit, be such as would not be distorted by subsequent rate increases. The proposal made earlier by us has the merit that its effectiveness would not be distrubed by subsequent rate increases.

Conclusion: Atlantic Sugar has herein attempted to lay before you its very serious transportation problem - not as a special plea for

itself - but rather as a critical example of the whole area problem. The Atlantic Company is a profit-making organization and as such must constantly apply commercial logic to its operation. The Company's Board of Directors must act in the best interests of its shareholders almost all of whom are Canadians and many of whom are Maritimers. As a company it is determined to thrive and grow. It sincerely hopes that its future will be as a Maritime industry and employer.

Atlantic has long been aware of the huge transportation difficulties building up against it and its fellow industries in the Atlantic provinces. It has not, however, despaired of the future but rather has been confident that by its very seriousness, these transportation inequities would be corrected fairly - constructively and permanently by the Canadian government and the people of Canada. The company's confidence in the prompt solution of the situation is demonstrated by its recent multi-million dollars modernization of its Saint John refinery.

The Gordon report calls for "a bold and imaginative approach" to the entire Maritime economic plight. Such an approach has been applied to the huge national program of "Roads to Resources" and to many other huge and bold steps in our nation's steps of progress.

Our proposal for resolving our specific transportation problems by reason of Maritime

location and the existence of our substantial markets in central Canada may well be a bold and imaginative approach when first examined but it will work so far as our company is concerned and its cost to the Federal Treasury would equal about one-half of 1 per cent of the contribution our company makes each year to the economy of the province of New Brunswick. It may well be that this proposal should be applied generally to the solution of the transportation problem of Maritimes' industry in relation to central Canadian markets. But we submit there should be no hesitation because it may appear bold and imaginative or either of these - if it will work. The return to the Federal Treasury and the provincial Governments will greatly outweigh any such cost.

We respectfully suggest that your Commission in weighing the evidence on this major problem of the region will have in its hands the future destiny of four provinces. Your Commission's recommendation of corrective measures to Parliament and the people of Canada, and the nature and extent thereof will be bound to be the influencing factor in future decisions of industry to locate in or vacate the area of the Maritimes.

THE ACTING CHAIRMAN: Thank you, Mr. Hill. I think you have frightened us by the load you put upon us, but I think that the whole area is the field for your very closely reasoned and cogent presentation this morning. I think this has been

very helpful because we have definite suggestions made which we can consider. I think before we ask you any questions we should adjourn for a few minutes and stretch our legs.

MR. HILL: I would appreciate that.

--- A short recess.

THE ACTING CHAIRMAN: Gentlemen, shall we come to order? Mr. Hill, you were talking of your market area, do you penetrate to western Canada at all?

MR. HILL: No sir. A very small and rapidly diminishing poundage goes into Winnipeg only.

THE ACTING CHAIRMAN: Nothing West?

MR. HILL: No. The transportation barrier is total at the Manitoba border.

THE ACTING CHAIRMAN: That is based on freight rates?

MR. HILL: Yes, sir.

THE ACTING CHAIRMAN: Now, have you an agreed charge yourself?

MR. HILL: Yes we do, sir.

THE ACTING CHAIRMAN: To where?

MR. HILL: We have quite a number of agreed charges. Most of our long haul movement is by agreed charge.

THE ACTING CHAIRMAN: And how long have you had that?

MR. HILL: Some of them I think have

been of relatively long standing. I frankly do not have the details.

THE ACTING CHAIRMAN: In any event, they are not new?

MR. HILL: No, sir.

THE ACTING CHAIRMAN: Now, you suggest various things by way of solution. Have you tried to put a dollar mark on the cost of these?

MR HILL: We could have expanded many of the points we have attempted to make both in laying out the problem and our suggested solution by presenting you with tables and --

THE ACTING CHAIRMAN: What I mean is this: You have very frankly stated that the present Treasury costs of M.F.R.A. is about $30 million. How much more would that be to do what you think should be done?

MR. HILL: In our particular case I believe the arithmetic based on our 1958 experience to implement our suggestion would cost about $480,000 additional.

THE ACTING CHAIRMAN: And areawise you could not give us any figure?

MR. HILL: No sir, I could not. I think in one comment I made there that specific or particular industries might not upon examination require it. If it were to be applied generally I do not have a calculation of what it would amount to.

THE ACTING CHAIRMAN: One of your difficulties with the Seaway is the shipment of raw sugar right up the lakes now?

MR. HILL: Very definitely.

THE ACTING CHAIRMAN: Well, Mr. Hill, the Commission would reserve the right to call on you for further suggestions from time to time. I suppose you would not be amiss to giving us any help you can?

MR. HILL: I would be delighted to have the opportunity within our very limited capabilities to supply any suggestions.

THE ACTING CHAIRMAN: Well, we are trying to do a job, and you have, I think, tried to throw too much confidence into what we are going to do by your spending money in Saint John. We want to do a job and we would like to have help of those who have given study to it as you apparently have done.

MR. HILL: Mr. Chairman, this situation I am sure will be impressed on your Commission to the degree that the situation is just of such very serious consequence that something will be done, and I am sure your Commission will recommend it should be done.

THE ACTING CHAIRMAN: Well, we will not undertake anything at the moment, but we will give our very serious consideration to anything that is constructive, and I think I can fairly say that what you have said is constructive.

COMMISSIONER GOBEIL: Mr. Hill, you mention on page 6:

"Our competitive transportation disadvantage today on the two-thirds of

"production sold in central Canada amounts to approximately $800,000, reduced by subvention to over $600,000."

That $600,000, would that mean that is what is needed?

THE ACTING CHAIRMAN: That is what they paid.

COMMISSIONER GOBEIL: No, "disadvantage"?

MR. HILL: That is our total competitive disadvantage on our shipments going into Upper Canada on the basis of our 1958 experience after our M.F.R.A. subvention exceeded $600,000.

COMMISSIONER MANN: My questions are very minor things. You have covered the ground very thoroughly, Mr. Hill. Mr. MacPherson asked you whether you have any agreed charges and you said you did. My question is, do your competitors have any agreed charges?

MR. HILL: I would say many, and I have referred to one specifically.

COMMISSIONER MANN: I made a note as you went along to find out something about the competition between beet and cane sugar. Is there any competition between beet and cane sugar? You refine cane sugar only?

MR. HILL: Cane sugar only. Beet sugar in Eastern Canada on an average over the last 10 years I would guess has accounted for not over 6 per cent of the total sugar produced in Eastern Canada. Beet sugar is produced, I believe, only on high cost land in Western Ontario. It is, I

suppose you might call it, a subsidized product to farmers in an area where crop values are quite high.

COMMISSIONER MANN: You anticipated my next question. I wanted to find out whether there is any subsidy granted which benefits producers of beet sugar.

MR. HILL: I am not sure of the technical -- I would say it is a subsidy -- yes, it is a floor price subsidy I believe on sugar that was put in two years ago and increased last year. It is my impression that it had particular intent to benefit the much larger beet sugar producers of Western Canada.

COMMISSIONER MANN: I have one more question. On page 9 you set out the contribution made by your company to the economy of Saint John and perhaps to New Brunswick as a whole, can you tell us whether your company is the largest year-round employer of industrial labour in the city of Saint John?

MR. HILL: I do not think there is any doubt about that.

COMMISSIONER MANN: Thank you very much.

THE ACTING CHAIRMAN: There is one other question. What you suggest on page 14 in effect is that any benefits that should come from M.F.R.A. or otherwise should only go to producers in the Maritime area?

MR. HILL: That is the suggestion, sir. I think that is based on the original and obvious intent of the reasons for the M.F.R.A.

COMMISSIONER PLATT: I presume that you have examined every possible means of moving sugar, but it seems to me rather strange that the raw sugar can be moved into Montreal at such a very low rate as compared to the rate to Saint John, and yet you cannot get your refined sugar from Saint John to Montreal. If this canal which was mentioned yesterday was constructed would there be any possibility of water transportation of your refined product at lower cost to Eastern Canada? In that case you could ship right to Fort William by water.

MR. HILL: I do not know what benefit the canal you mention might have to the overall water cost on shipping refined sugar. Quite a number of years ago our company did ship refined sugar by water to the lakehead on a reciprocal basis of bringing a cargo back. Ours is a hydroscopic or water-absorbant product which is very difficult from the point of handling. The average ship is not insulated to protect the cargo. There has been quite a substantial trend in our industry towards bulk sugar. I refer to the fact that only 35 per cent or 30 per cent I believe it is of the sugar refined in Canada today is used commercially. The rapidly increasing percentage of that is used in bulk form and as that trend which is following the American lead develops to 60 per cent, most of the industrial sugars will be sold in bulk or in liquid form. Bulk sugar would be totally impossible, in my humble opinion, without knowing what the technical developments are that may come along being

shipped by water. Another great disadvantage in water shipment is the fact that our customers are not at port. With the rapidly rising cost of stevedore labour, unloading at a dock, the loading from a warehouse into transport points would be prohibitive. Again, the road inland is a seven-month road and not 12 months. If you would be interested I just might show you the form in which bulk sugar moves by rail and this (indicating) is the way the raw is unloaded.

THE ACTING CHAIRMAN: Mr. Cooper?

MR. COOPER: Just one or two things which I would like, perhaps, to receive clarification on more than anything else -- as you will realize, we have not had an opportunity of studying your brief fully -- but, nevertheless, for the benefit of the Commission I would like to fully understand the points that have been made by you. As I understand it, about one-third of you production is concentrated in the Maritimes?

MR. HILL: Yes; it is less than a third.

MR. COOPER: The remainder goes to Central Canada, with a very small quantity proceeding beyond Central Canada to Winnipeg?

MR. HILL: Yes, the quantity to Winnipeg is very negligible. The percentage going into Upper Canada is increasing this year and will increase for the reasons which I have pointed out in the brief.

MR. COOPER: You say somewhat less than one-third now in the Maritimes? Can you fix it any

more definitely?

MR. HILL: I would prefer not to. Our competitors would be too interested in knowing.

THE ACTING CHAIRMAN: We must protect trade secrets.

MR. HILL: Thank you.

MR. COOPER: On page 6 of your submission, Mr. Hill, you state that the "... home market has been invaded by our Montreal competitors who were the beneficiaries in July, 1958 of a 30 per cent reduction in the rail freight rates on sugar..."

Now, as I understand the situation -- and you will correct me if I am wrong -- there was an agreed charge enjoyed by yourself from movement within the Maritimes to Central Canada?

MR. HILL: Yes.

MR. COOPER: And the railways considered that that agreed charge, or those agreed charges -- because there was more than one -- had to be extended to sugar coming into this area from the Montreal market. Is that situation?

MR. HILL: Yes. Our understanding, as is quoted to you here, is that "... the officials of the railways advised our company that 'they felt legally compelled to extend the same rates -- in all cases -- on the same movement in both directions.'"

MR COOPER: So that because you have an agreed charge to get into the central Canada market the central Canadian producers are automatically given an agreed charge to come into the

Maritime market?

MR. HILL: I don't say that; I am just citing one specific instance where that is so.

MR. COOPER: Well, there is one specific instance where that is so and that is the instance which you mention here.

MR. HILL: Yes.

MR. COOPER: After that sugar gets in here, do I understand your submission to state that the sugar then moves under M.F.R.A. to the Maritime provinces?

MR. HILL: Yes. We hope you don't see any around Fredericton.

MR. COOPER: Is this a trade secret, or can you tell me to what extent you have been adversely affected here by the movement of sugar coming in under that agreed charge?

MR. HILL: I would not like to disclose the degree, but it has been very nominal, for the reasons I have mentioned.

MR. COOPER: And you expect it to continue to be nominal?

MR. HILL: We certainly have no guarantee on that; and the fear which it presents is of very major concern to our company.

MR. COOPER: You state on page 13 of your submission that "... Canada does not attempt to regulate ocean rates even within its territorial waters, thus permitting distortions between certain ports and, since the construction by Canada as a

"whole of the St. Lawrence Seaway with its long amortization program and very low tolls has seriously deteriorated the economic situation of Atlantic at Saint John, N.B., the Company may rightfully expect recognition and compensation in some form to preserve its competitive ability if it is to continue and expand its Saint John operation ..."

Could you indicate, with any more certainty, the actual matters of deterioration of the economic situation of Atlantic at Saint John as the result of the St. Lawrence Seaway?

MR. HILL: The answer to that is, I think, contained, in fair measure in the arithmetic we presented of the year 1925, which happens to be the oldest record we have of rail shipments. There was then a 19 per cent differential between the inbound rate to Saint John and to Montreal. Today it is less than 3 per cent, and is actually, from the recently-quoted rates, equal to one cent for the 700 or 800 miles extra.

MR. COOPER: This very sharp reduction has come about as a result of the St. Lawrence Seaway?

MR. HILL: We don't presume to be authorities to either intelligently analyze or quote the various reasons for the differentials lying in these ocean rates.

To be very frank, they are quite mysterious to us at times.

MR. COOPER: Well, did you endeavour to find out the differential immediately before the St.

Lawrence Seaway opened and after to see what effect it had in actual figures? Or do you know that?

MR. HILL: Mr. Chairman, I realize that the Commission has to analyze and study our lengthy submission, and the fact is that you haven't had time for that study, and undoubtedly there will be questions that you would like to have amplified. You have given me the opportunity, or you have asked me, to be here to deal with some of these subjects. At the same time, I would like to say that we are quite prepared to submit to you, in as detailed a form as we can, all the supporting data, which would include the reply to that question.

MR. COOPER: Well, that is quite satisfactory, because it is not unsupported information that the Commission wants to hear.

MR. HILL: We feel we are helping ourselves by helping you to understand our problem.

THE ACTING CHAIRMAN: The burden of your evidence is that, to say the least, there is a coincidence between the St. Lawrence Seaway being opened and the change in the tariff?

MR. HILL: Yes.

THE ACTING CHAIRMAN: Mr. Mauro, have you any questions?

MR. MAURO: Mr. Hill, has there been any change in market pattern since 1915? Has your company since that time pretty well had the same domestic consumption? You mention 20 per cent, or a third that is presently being consumed in the domestic market locally, and the balance largely in the

central market?

MR. HILL: I don't have the exact figures here, but both Acadia's operations at Woodside and Atlantic's operations at Saint John were running not at capacity; they were running a little below capacity. But I would say the answer to it is that a substantial part -- a major part, we might say, at a guess -- of the production is sold in the Maritime/Gaspe area.

MR. MAURO: Initially?

MR. HILL: Yes.

MR. MAURO: And subsequently you began to participate more and more in the central Canada market as capacity increased?

MR. HILL: As the market here dwindles.

MR. MAURO: In the sugar business, as I understand it, it is a fact that you build very close to the domestic market -- the local domestic market -- and in the manufacture of sugar a very large proportion of plant capacity of any sugar refinery is absorbed in as close an area as possible?

MR. HILL: That is right.

MR. MAURO: And as I understand it this system is based on the basing point system to the consumer -- the cost laid down plus the cost of the final stage of refining plus transportation cost?

MR. HILL: Yes.

MR. MAURO: And in order that the record be corrected, there is no payment, nor has there

been any payment to date, under the subsidy provision to beet growers in Western Canada? Or do you have different information?

MR. HILL: I think that I would refer you to another authority on that. It is my impression that there have been substantial payments made.

MR. MAURO: Well, I would be interested further in that, for the sake of the record of the Manitoba grower.

I limit my question to the Western beet growers, which are the largest in Canada.

MR. HILL: Frankly, I am not qualified to intelligently answer your question.

THE ACTING CHAIRMAN: Your answer is associated with lower price, I suppose?

MR. HILL: Yes.

MR. MAURO: My statement is that to my knowledge the Alberta and Manitoba beet growers received no subsidy.

COMMISSIONER PLATT: I believe Mr. Mauro is correct. There is a floor price under sugar beet, and that price is coming into effect; although, perhaps, the beet price has not yet got down to the level of Manitoba or Alberta.

MR. HILL: I don't think that is true in Ontario, but it could be in Western Canada.

MR. MAURO: I would like to pursue that. My understanding is that the price of sugar in Winnipeg is the price of cane sugar brought at basing point Montreal or Saint John, plus the cost

of transporting to Winnipeg, and the Manitoba price must always put on a differential under the cost of cane.

MR. HILL: I would rather not comment on the business basis of operations of a competitor firm.

THE ACTING CHAIRMAN: We had better not discuss it in too much detail.

MR. MAURO: This is not a particularly secret thing. There has been an investigation under the Combines Act, and the information is already available.

MR.HILL: I would rather not have it come from me.

MR. MAURO: Having participated in part of it you are familiar with it?

Now, regarding the Seaway, Mr. Hill, and the reference which you make, I believe, on page 8 of your submission, it seems to be your considered opinion that the Seaway, as regards the economy of the Maritimes, has created disadvantages; it has not certainly caused any improvement in the economic situation here in the Maritimes. Is that right?

MR. HILL: I would rather put it as it was predicted by the Gordon Economic Commission, that it might result in movement of the Atlantic ports inland.

MR. MAURO: Well, do you feel they were correct in their prophecy?

MR. HILL: Personally I do, yes.

MR. MAURO: Do you know of any advantages

that the Seaway has brought to the Maritimes?

MR. HILL: I have yet to hear of one.

MR. MAURO: Have you ever heard anything about the milling of grain?

MR. HILL: No.

MR. MAURO: Now, at page 10 there appears this statement:

> "If industry is forced out of the Maritimes, the consequences are clear to see. Without volume traffic moving out of the Maritimes, the railways undoubtedly could not carry traffic into the area at the rates now in effect."

Yesterday we were advised that the manufacturers who appeared here yesterday -- and I am referring particularly to the stove industry -- had absorbed every freight rate increase in the post-war period, and I just wondered how much higher the rates would go. I know that you tie in the expense of your industrial operations to the freight rates on other industries, or other manufacturers in the Maritime region; or do you personally feel that they would have been higher?

MR. HILL: I feel that railways, undoubtedly, in the operation of their business, have to look at it that they can't run an empty car one way and maintain a lower rate on full cars in a single direction. I don't presume to talk as any authority on railway economics or costs, but it would seem that that would be their basis.

MR. MAURO: On page 13, Mr. Hill, there is some reference to the tolls on the Seaway. You, of course, accept the fact that the amortization basis is expected to pay, through the Canadian taxpayers, the total cost of the Seaway; so that to that extent it is not a burden on the Canadian economy.

MR. HILL: We "expect" or "hope"?

MR. MAURO: They are going to have to change their amortization table because instead of getting 40 million tons through the Seaway this year they only got 25 million tons through.

MR. HILL: It is my personal feeling that a 50-year amortization is a pretty long amortization period, and that what we are suggesting is an investment which is realistic, demanded and urgent in the area at very much less and paid back very much faster.

MR. MAURO: Would you recommend the toll system -- if the federal government came into the Maritimes and installed the facilities -- along the principles that are commensurate with this here? Would you be willing to see a toll system or user-charge instituted here?

MR. HILL: In the Maritimes, and ...?

MR. MAURO: Against the users; that is to say, the same as the tolls on the St. Lawrence Seaway?

MR. HILL: The tolls on the Atlantic?

MR. MAURO: I am thinking about port facilities, not tolls on the Atlantic; if there is a necessity of a canal or a necessity of improving

port facilities, and the necessity of spending federal money, whether for better or worse, on a toll system on the Seaway, that maybe those tolls should be raised to --

MR. HILL: That I don't subscribe to.

MR. MAURO: But you subscribed to the first part, the tolls on improved facilities in the Maritimes?

MR. HILL: I can't understand where the tolls would apply. I feel every taxpayer in the Maritimes is paying a substantial toll today, and I believe it has been publicly stated that the ports of Halifax and Saint John don't begin to carry themselves, and I believe also the fact that the reason for that is that they are the strategic 4-1/2-month ports, and it is not their availability or their physical capacity to handle very substantial inbound and outbound cargoes the year round.

MR. MAURO: At page 15 there appears a statement:

> "Shipments which do not truly originate in the select territory - not being the production of the Maritimes nor manufactured in the Maritimes should be excluded..."

Now, how would this effect secondary manufacturing industries in the Maritimes, such as the stove manufacturers who bring in sheet and enamel from Central Canada and process it and make stoves in New Brunswick and ship them back to

central Canada, wouldn't an increase in the cost of the movement of those cargoes into the Maritimes result in an increased cost to the persons involved?

MR. HILL: Sir, I think it is the hope of the stove industry and I would presume to anticipate that their position is that they have hope that the solution to the economic growth of this area will develop here and have a market by which they will have a much broader market volume that will more than alleviate that, and it is my humble suggestion that if such bold and imaginative steps as we have attempted to suggest here were implemented and with it a very relatively minor investment by the federal government, that the stove market of the Maritimes would vastly grow and even, sir, the sheets might be produced in the Maritimes instead of Upper Canada.

MR. MAURO: I am not trying to debate the point; this is from information that was received yesterday, and I know that this question of secondary manufacturers is important, probably, to the province of New Brunswick and it is to my own province and I feel that the suggestion that you make there would be an idealsuggestion if all of the raw materials were readily available within the province, but it is an ideal situation for the sugar manufacturers, they bring in the raw product from Jamaica, process it and ship it out. What about manufacturers of products that require some import of commodities from Quebec and Ontario? The Montreal freight rates --

MR. HILL: Are we in the sugar industry any different than the stove manufacturers in that the arithmetic seems to add up and the transportation costs problem is about the same.

MR. MAURO: It is a little different; you ship to Central Canada one way, since your raw product comes in from, usually, Jamaica or Cuba, and they are bringing in semi-processed material from Central Canada and shipping out the finished product and it goes back into Central Canada.

MR. HILL: There the answer is that our suggestion is if they are given the assistance, realistic assistance, the quality and the opportunity which this assistance would give in the freight cost on their product to Central Canada, the cost element part of bringing sheets into the area wouldn't then be material and, in fact, I repeat that if the volume builds up on that and the other industrys' potential, then the sheets might be produced here, if they are not now.

MR MAURO: So that I understand your substantive portion here as to the solution is that you would want 100 per cent subsidy on the movement to Diamond Junction and Levis?

MR. HILL: That is tantamount; in other words, a hypothetical or a theoretical placing of the Maritime industry at the threshold at the central Canadian market.

MR. MAURO: You have touched on that tender spot of grain rates, Mr. Hill, and at page 16 I note this statement that could only have been

lifted out of a C.P.R. manual, and I haven't even seen this in the C.P.R. manual, "Since before the turn of this century, grain has been moved in heavy volume 899 miles from Saskatoon to Fort William, at a total yield to the railways of .49 cents per ton mile."

Now where, pray tell, did you work out that little figure?

MR. HILL: Forsooth, I didn't develop it myself!

MR. MAURO: I am interested in knowing what the basis of that is, especially since from the turn of the century we have been unable to obtain data from 1899, and I was wondering where the Atlantic Sugar Refineries got it?

MR. HILL: I was very impressed with the statements made by the heads of our Canadian railways that part of their problem in surviving as an industry is the perpetuation of carrying on some 30 per cent of their total ton mileage at rates that were established and fixed in 1896.

MR. MAURO: It was 1897 by agreement; they didn't come into being until 1899. We have heard what the railways have been saying for a long time, and your use of the figure of .49 cents per ton mile since before the turn of the century, I suggest is in error. At least, I would be interested in any information which you have which allowed you to come up with a figure such as that.

MR. HILL: It was from a source, sir, that we feel to be accurate; it may be contestable

and could be in error; we probably could get much better information from the railways.

MR. MAURO: I want to make it clear that there is a figure which appears in the recent decisions of the Board of Transport Commissioners, a figure in the weigh bill analysis, these are current figures and not since 1899; would there be any benefit, Mr. Hill, if the subsidies in the M.F.R.A. were applied to all transportation out of the Maritimes instead of being limited to rail?

MR. HILL: There no doubt would be if it were applied in such a way that the finished product of Maritime industry were thereby assurred transportation at a cost not exceeding the lowest available by rail or water of the major raw material content of that product.

MR. MAURO: Thank you very much.

THE ACTING CHAIRMAN: Mr. Smith, have you any questions?

MR. SMITH: No.

THE ACTING CHAIRMAN: Mr. Boyd?

MR. BOYD: No.

THE ACTING CHAIRMAN: Mr. Wright?

MR. WRIGHT: No questions.

THE ACTING CHAIRMAN: Well, there is nobody else. Thank you very much, Mr. Hill.

MR. HILL: Thank you, sir.

THE ACTING CHAIRMAN: I read a wire addressed to me from Bath, New Brunswick, and I think we should take it into the record, and it

says that the executive for the Bath Chamber of Commerce meeting in special session wish to support the briefs being presented by the potato industry, feed grain industry and the lumber industry of the Maritime provinces, and it is signed by Eugene Brennen, President and Charles Wry, Secretary.

I think probably we had better adjourn now and we will try to finish up this afternoon, and I would ask the McAvity people to be here sharp on time. We will start at 2 o'clock.

--- Whereupon the hearing was adjourned at 12.27 until 2 p.m.

Tuesday,

November 10, 1959.

--- Upon resuming at 2 p.m.

THE ACTING CHAIRMAN: It being 2 o'clock we will call on Mr. Case.

SUBMISSION OF
T. McAVITY & SONS, LIMITED

Appearance:

Mr. W.A. Scammell Case - Executive Vice-President

EXHIBIT NO. 15: Brief of T.McAvity & Sons, Limited

MR. COOPER: Mr. Chairman, this brief will be Exhibit 15.

MR. CASE: Mr. Chairman and Commissioners: This submission will endeavour to stree, in an informal way, the importance of "transportation" and in particular its impact as a cost factor to this company.

In order to function we must bring to our factory raw materials and supplies in very large volume, process these, and then ship our finished products to the markets of Canada.

A very short historical background of the company, follows:

We are now 125 years old, having been founded in 1834. In the beginning we dealt largely in hardware, building materials, etc.

During the 1880's a brass foundry was started, followed some years later by an iron foundry. Machine shops were added as the need arose, until today this is the largest industry of its type east of Montreal, where several major competitors are located. T. McAvity & Sons, Limited therefore represent an important segment of the economy of the Greater Saint John area, and of the industrial pattern of the province, after excluding the natural resource industries.

The main manufacturing plant is in Saint John, where employment is provided for upwards of 500 or more men and women. A subsidiary, T. McAvity & Sons (Western) Limited, is located in Medicine Hat, Alberta, and employs approximately 50. It is probably opportune to mention here that the decision to acquire a plant in Medicine Hat, Alberta, was due in large measure to the impact of freight on the articles being shipped into the Prairie Provinces from Saint John. Today's production at Medicine Hat is therefore lost to the main plant in Saint John.

At both these plants we process raw materials into finished goods (with the exception of steel, which is purchased in the form of castings or sheet and then machined and fabricated). Distribution is national in scope. The Atlantic region is served directly from the main factory in Saint John, and warehouse stocks and sales offices are maintained in Montreal, Toronto, Winnipeg,

Calgary and Vancouver.

Products are essentially "valves", but of varied types for many purposes. Bronze, iron, steel, aluminum for use in industry, the construction trades, pulp and paper mills, steel mills, oil refineries, etc. We believe that we manufacture the most extensive line of waterworks material in Canada, such as fire hydrants, corporation bronze, valve boxes, service boxes, and, of course iron valves (up to 30 in. in size) for underground use. Many specialties are included such as fabricated steel valves for the pulp and paper mills, and other types of our own design such as those supplied to the Atomic Energy Commission at Chalk River. I might add that although this is not mentioned in the brief I might say this company has over the years since World War II been the major source of supply in shipbuilding in Canada in brass and aluminum.

The restricted market of the Atlantic region could not support such an operation as ours,- true, in the early stages it did, and, while we have enjoyed an increasing volume in this region, the real growth has been in the markets of Central and Western Canada.

This year (1959) we expect to ship from the factory in Saint John, approximately 6,570,000 pounds of finished product -- it will go to the following geographic areas;

(a)	Atlantic Region	918,750 lbs.	- 14	per cent
(b)	Quebec	1,903,750 "	- 29	" "
(c)	Ontario	2,409,375 "	- 36	" "
(d)	Prairie Prov. & British Col.	1,338,125 "	- 21	" "
		6,570,000 lbs.	100	per cent

Again this is not in the brief, but in order to produce that finished product of 6,570,000 pounds we will melt approximately 10 million pounds of iron and 5 million pounds of bronze.

The greater portion of the above is represented by iron, which carries a relatively low value per pound when compared with bronze - to illustrate, it costs about 3 per cent of the selling price to land iron valves and hydrants in Montreal; over 4 per cent in Toronto; 7 per cent in Winnipeg; and, about 15 per cent in Vancouver. Competition requires that practially all our products be sold at identical prices whether in St. John's, Newfoundland, Halifax, Nova Scotia, Montreal, Toronto, Winnipeg or Vancouver.

Major raw materials consist of non-ferrous metals, e.g. bronze ingots -- copper, lead, tin, zinc, etc., pig and scrap iron - with the exception of scrap iron, these all come from outside the Atlantic region.

Pig iron must come from Sault Ste. Marie, Port Colborne, or Hamilton, Ontario (Dosco in Sydney do not produce pig iron to the analysis we require). Freight is equalized on Hamilton -

the carload rate is $14.26 per gross ton to Saint John, but only $8.50 per gross ton to Montreal.

Non-ferrous metals available in Montreal, cost us in freight almost 1 cent per pound. If bought in Toronto, the freight is about 1-1/2 cents per pound.

This is only part of the story -- large quantities of foundry sands, coke, etc. must be used in the manufacturing process; the sand must come from New Zersey or New York, and Montreal is the nearest source of coke.

Moulding sands cost, in freight, $9.57 per net ton from New Jersey points ($7.21 to Montreal); from Albany the comparable rates are $8.73 and $6.71.

Coke from Montreal takes a rate of $5.10 per ton.

What does all this mean? A severe impact on our manufacturing costs when compared with competition in Montreal! Relate these freights, if you will, to the year's estimated usage. We will need about:

1,200 gross tons of pig iron
3,000 tons of foundry sands
800 tons of coke

To say nothing of all the other supplies- component parts, etc. which too, must be brought to Saint John. A few of these are wood flour, nuts and bolts in tremendous quantities, cold rolled steel, brass rod and so on.

Up to 4 per cent of the total manufacturing cost of our combined products is represented by freight, to which must be added the cost of outward freight which, of course, varies by destination.

With 65 per cent of our output going to Quebec and Ontario, and another 21 per cent farther west, it can readily be ascertained that we do have a very grave problem -- the ultimate solution of which might well have serious repercussions in the economic life of Saint John and affect the lives of many of its citizens.

Earlier reference was made to our plant in Medicine Hat, - constantly increasing freight costs were responsible for its establishment.

We consider that the Maritime Freight Rate Act is of great importance, but of declining value due to the manner in which freight rates generally have been applied in the post-war years, and we respectfully suggest a realignment of this Act so as to permit it to achieve its intent when passed in 1927, and further, that an attempt be made to find a method so as to keep such re-alignment true and correct in the years ahead -- in perpetuity, if you will.

There are many industries such as ours, whose major markets are outside the area; they play very vital roles in the overall economy and well-being of the Atlantic provinces, each and every one has a transportation problem! They need sympathetic consideration -- they must not

be lost to the area. We firmly believe that an answer can be found; we trust you can find it! Possibly the same answer will go far toward making it possible for new industries to come in; to serve the growing market already here; and still permit a portion of the production to flow westward without attracting prohibitive transportation costs.

Because of the additional burdens placed on us due to the post-war rate increases, we have had to seek ways and means to offset these increases wherever possible; the answer has been found largely in the use of motor transport.

It is a fact though, that we are very dependent on rail transportation for the movement of bulk raw materials in car lots; however, there has been, and will of necessity continue to be, a swing away from rail transportation as new motor transport routes are developed.

At present, most of the incoming material used by us arrives by rail, either as a car lot or by pool car.

The major change has been in the outward movement of finished product.

In the Atlantic region, the trend is constantly toward the use of motor transport. Shipments to Quebec and Ontario are almost exclusively by motor transport. West of Toronto rail transportation is still used exclusively, and, in our opinion likely to continue so.

The very factors which have helped us reduce our outgoing freight costs, i.e. the advent of motor transport, have of course, worked to the advantage of our competitors in the central Canadian market.

It is our opinion that the post-war rate increases have worsened our competitive position in the markets of central Canada, due to the fact that in this area freight rate increases have not always been applied, and in fact, in many instances have been reduced to meet motor truck competition.

We have no quarrel with the railways - their problems are many and varied, more so probably than those which face industries such as ours - we are faced with a daily struggle to keep going ahead, no business can stand still, that is axiomatic. Canada is growing in the Centre and West at a far greater rate than in the Atlantic region, therefore, this competitive position of which we speak, assumes increasing important. If we produce more, then we must sell more. Where? The answer is obvious -- in Central and Western Canada!

It may be argued that we should not attempt to maintain a medium heavy industry so far from its supply of raw material and market, however, we have been here for a long time -- we want to stay here! If we do, though, there must be some means found to solve the overall transportation problem, a solution which will

recognize that Canada is one country, - that the extremities must be treated, not as poor relatives, but as equal partners. Post-war methods of applying freight rate increases have not recognized this principle.

In this brief presentation we have not made any attempt to more than outline our position -- to stress the extent to which transportation costs affect us. This year our total outlay for all purposes, motor truck, rail, etcetera will be in the vicinity of $300,000, so we are not talking in small dollars.

We fully realize the complexities of this task in which you are engaged; that there is no easy solution, is evident. Our fervent wish therefore is, that, as the hearings progress, you will be given the wisdom to develop a plan which will, in large measure, eliminate the present unequal application of transportation costs; one which will be fair to the carriers as well as the shippers and receivers of goods of any type.

Now, Mr. Chairman, I would like, if I may, just to add a few remarks. I had the pleasure this morning of listening to Mr. Hill's brief. I did not hear the one yesterday from the stove industry, but I understand that they mentioned a solution, which we haven't attempted to do. But we do subscribe wholeheartedly to the thoughts expressed by the Atlantic brief this morning. The thoughts put forward would, in large measure, we

feel, cover our industry which is a national industry with a transportation problem quite similar, in fact, to the sugar refineries and many others who were represented.

If a solution can be found to the suggestions this morning, some of the things which we have said here in the brief could never come to pass and would not be contemplated; and we certainly hope that you, as we said, in your wisdom, and the Commissioners, will find an answer for us.

This brief has been submitted on behalf of T. McAvity and Sons Limited.

THE ACTING CHAIRMAN: Thank you, Mr. Case.

I understand that where, on page 5, you say that you "... respectfully suggest a realignment of this Act..." -- which is the Maritime Freight Rate Act -- you are now adopting, as a method of realignment, the suggestion made by Mr. Hill?

MR. CASE: We are quite happy about that.

THE ACTING CHAIRMAN: Now, you are in the same position as Mr. Fisher of the stove people. You get your raw material in from Upper Canada and you finish it here?

MR. CASE: That is correct.

THE ACTING CHAIRMAN: And then ship it out?

MR. CASE: Yes.

THE ACTING CHAIRMAN: It just struck me

that you mentioned coke as one of the important items. Will the institution of the new refinery at Saint John change that picture at all?

MR. CASE: I doubt it very much.

THE ACTING CHAIRMAN: Will they not have coke?

MR. CASE: I question that, from what we read in the press.

THE ACTING CHAIRMAN: And you speak of motor transport. Do you use your own?

MR. CASE: No.

THE ACTING CHAIRMAN: You use hired carriers?

MR. CASE: Yes, hired.

THE ACTING CHAIRMAN: And what about the rates? Are they competitive with the railways, or are they about the same?

MR. CASE: No, they are cheaper.

THE ACTING CHAIRMAN: How much cheaper?

MR. CASE: Well, I didn't attempt to put any figures in this brief. I have quoted the comparable rates. As a matter of fact, I didn't bring them with me, not wanting to get involved in a discussion of freight by one railway against motor transport. But I can tell you the difference is substantial enough to make it worth our while to use motor transport.

It works this way, that we can ship in L.C.L. shipments from our plant at probably close to the carload rate on the part of the railroad.

THE ACTING CHAIRMAN: Would it be as much

as 20 per cent less?

MR. CASE: I would rather not answer that question.

THE ACTING CHAIRMAN: As I understand it there is no regulation of truck rates?

MR. CASE: No, I believe that is true.

THE ACTING CHAIRMAN: You make your own deals with your own carrier?

MR. CASE: Yes, that is right.

COMMISSIONER ANSCOMB: Tell me: Does your Medicine Hat plant duplicate in its entirety the production of your Saint John plant?

MR. CASE: No; at Mechine Hat it is things which are laid under ground -- valves, hydrants, valve boxes, manhole frames and covers.

COMMISSIONER ANSCOMB: Would you ship east?

MR. CASE: To Winnipeg.

COMMISSIONER ANSCOMB: I gather that you do 21 per cent of your business in the western provinces, with 10 per cent of your labour force.

MR. CASE: Yes, but it is an entirely different operation; it even includes some jobbing.

COMMISSIONER ANSCOMB: Does the freight rate in the west concern you at all compared to the Maritimes, and so far as wages are concerned?

MR. CASE: No; we have two separate operations; we deal with two separate unions. There never has been any conflict.

COMMISSIONER ANSCOMB: Would the rates be higher in the West?

MR. CASE: The rate is higher than it is

in Saint John.

COMMISSIONER ANSCOMB: Which obviously to some extent affects the shipping of freight west?

MR. CASE: Yes; but I think there are other elements coming into the cost, too.

THE ACTING CHAIRMAN: Thank you, Mr. Case.

COMMISSIONER MANN: Mr. Case, Mr. MacPherson asked you about a refinery at Saint John. Is there any coke available at the Imperial Oil refinery in Halifax?

MR. CASE: Not to our knowledge.

COMMISSIONER MANN: On your shipments by motor carrier, when you ship out of Saint John, say, to Montreal, does the motor carrier use the piggy-back service?

MR. CASE: I believe so -- recently.

COMMISSIONER MANN: Looking at page 5 of your submission, I notice that 86 per cent of your production goes to Quebec and Ontario and the West. The remaining 14 per cent -- is that represented by sales in the Atlantic area, or is there any export?

MR. CASE: A very, very small amount of export.

COMMISSIONER MANN: Is your industry subject to the economic scale? Do your production costs get lower as you increase the scope of your operation?

MR. CASE: Well, to the extent that volume helps any operation, provided you don't go over a certain percentage of efficiency -- 90 or 95

per cent; beyond that you start to lose efficiency.

COMMISSIONER BALCH: I would like clarification on one point. Do you mean to say that your truckers use the piggy-back services on the railways?

MR. CASE: I am inclined to believe that at least one of them certainly uses the railway; I am not so sure about the other one; but I do know that one uses it. I am not going to mention any names.

COMMISSIONER BALCH: I think that would be a tip to those responsible to extend their piggy-back service down into New Brunswick.

MR. CASE: Well, it is.

COMMISSIONER BALCH: They are doing it now?

MR. CASE: Yes.

THE ACTING CHAIRMAN: I don't think we need the name, because I think we probably know it.

MR. COOPER: You say on page 2 that "... the decision to acquire a plant in Medicine Hat, Alberta, was due in large measure to the impact of freight on the articles being shipped into the Prairie Provinces from Saint John ..." On page 5 you again refer to the plant in Medicine Hat and say that "... constantly increasing freight costs were responsible for its establishment..."

Were freight costs solely responsible for the Medicine Hat plant, or were there any other considerations?

MR. CASE: To a very limited extent; freight would be 95 per cent of the reason.

MR. COOPER: As I understand it, the whole of the finished product moves by motor transport?

MR. CASE: No, I didn't say that.

MR. COOPER: Well, I may have misunderstood. What proportion is moved by motor transport from Saint John?

MR. CASE: From Saint John I would say 50 per cent within the intra-provincial market is motor transport; 50 per cent is rail; to Montreal and Toronto almost 100 per cent today is motor transport, or piggy-back, if you will, indirectly. Beyond that it is rail.

MR. COOPER: Have you any agreed charges?

MR. CASE: No.

MR. COOPER: None whatever?

MR. CASE: No.

MR. COOPER: And the raw materials coming in all come in by rail?

MR. CASE: All rail.

MR. COOPER: What is corporation bronze?

MR. CASE: It is a cock -- a stop cock -- which goes under ground. It fits on to the water mains where there are three-quarter pipes. Everybody who owns a home and has to take water from a main has that connection -- this corporation bronze fitting -- between the main and the pipe into the house.

MR. COOPER: It is just a name for a bronze fitting?

MR. CASE: It is a valve, really.

MR. COOPER: That is all, thank you.

MR. MAURO: I have no questions.

MR. SMITH: No questions.

MR. BOYD: I have no questions.

THE ACTING CHAIRMAN: Thank you very much, Mr. Case.

Now we will have the potato growers.

SUBMISSION OF
NEW BRUNSWICK POTATO SHIPPERS'
ASSOCIATION

Appearance:

Mr. R. R. McCain

EXHIBIT NO. 16: Brief of New Brunswick Potato Shippers' Association.

MR. McCAIN: Mr. Chairman and Members of the Royal Commission on Transportation.

Reference: Inequities on the Freight Rate Structure: The production of potatoes constitutes one of the largest cash crops of the province of New Brunswick and thus contributes in large measure to the economy of the area and is the determining factor in the standard of living of a great number of its inhabitants. The success or failure of the marketing of any potato crop is immediately reflected on the provincial economy and, further, it is the direct measurement of the financial ability of those engaged in the production of the product as well as those directly employed with the marketing of potatoes.

The fact that New Brunswick produces more potatoes than any other province of Canada makes imperative the exploitation of all possible market outlets in the world a concern of vital importance to all engaged in the industry. The provincial and Maritime markets, those of Quebec and Ontario, as well as foreign markets, are all

required for the disposal of potatoes at remunerative returns to the grower.

The markets referred to are all highly competitive and particularly is this true of foreign markets. The cost of delivering New Brunswick potatoes to the world markets is of vital concern to growers and all persons engaged in the industry. It is in this aspect of the matter particularly that railway freight rates determine in very large measure whether or not New Brunswick shippers can compete with other potato producing areas in the successful marketing of the crop.

The New Brunswick Potato Shippers' Association is joined by the New Brunswick Potato Marketing Board in expressing the opinion that the export of New Brunswick tubers is of paramount important to the industry as it acts as a stabilizer and is reflected throughout the potato industry of Canada. The existing freight rates imposed by the railways of Canada on the shipments of New Brunswick potatoes to the seaports of West Saint John, N.B., and Halifax, N.S., as compared with those available to shippers from the State of Maine, U.S.A., to Searsport, Maine, and West Saint John, N.B., do not equitably compare but rather indicate a substantial advantage in favour of the U.S.A. shippers over those of New Brunswick in the export market.

Export to Foreign Markets: The export market for New Brunswick potatoes meets rugged competition from our neighbour, the State of Maine,

U.S.A. The only feasible shipping ports, in order of priority, to the New Brunswick area are West Saint John, N.B., and Halifax, N.S. The ports of West Saint John, N.B., and Searsport, Maine, U.S.A., are, of course, attractive to the Maine shippers.

The following tables set forth the existing freight rates applicable to potatoes travelling over railway lines to the ports of Saint John, New Brunswick, and Halifax, Nova Scotia, and Searsport, Maine, for export to foreign markets, the rail miles travelled from point of shipment to the seaport. The freight rates applicable to export of potatoes to South America are set forth in one column and those applicable to export to other foreign markets, except United States, are shown in a separate column.

EXPORT RATES ON POTATOES

(Rates in cents per 100 lbs.)

FROM	Miles To		For Export to South American Countries		For Export to Other Foreign Countries	
	Saint John N.B.	Sears-port, Maine	TO Saint John N.B.	TO Sears-port, Maine	TO Saint John N.B.	TO Sears-port, Maine
Presque Isle, Maine	211.8	211.9	25	25	25	25
Aroos-took, N.B.	177.8		30	-	35	-
Sweden, Maine	232.9	242.9	27	27	27	27
Grand Falls, N.B.	196.5	-	31	-	36	-
New Sweden, Maine	-	235.7	-	26	-	26
Houlton, Maine	132.8	166.2	18	20	18	20
Wood-stock, N.B.	131.5	-	25	-	31	-
Char-lotte-town, P.E.I.	215.3	-	26	-	32	-
Summer-side, P.E.I.	201.2	-	26	-	32	-

	Halifax, N.S.	Halifax, N.S.	Halifax, N.S.
Woodstock, N.B.	382.6	35	41
Florenceville, N.B.	408.3	52½	58½
Charlottetown, P.E.I.	237.8	30	35
Summerside, P.E.I.	223.7	30	35

Favourable foreign markets existing for potatoes have in past years been found in the South American countries of Argentina, Venezuela and Uruguay, but lately new markets in the British West Indies, Jamaica and Greece have appeared. The present freight rate structure gives preference to the State of Maine shippers to all world markets. The New Brunswick shipper does not enjoy the same freight rate structure as the Maine shipper, exporting to Argentina, Venezuela and Uruguay and is in a far less favourable position, in freight rates, when shipping to other foreign markets.

It is interesting to note that in all cases the New Brunswick shipper pays a higher freight rate than the Maine, U.S.A. shipper, even though the Maine potatoes travel greater distances, over the same lines, and often in the same train as the New Brunswick potatoes travelling to the same sea-port.

It has been advanced as an argument that where there are reduced freight rates on Maine potatoes, they encourage the Maine shippers to use Canadian ports in preference to the U.S.A. port of Searsport, Maine. This, it is argued, aids the Canadian economy and the port of Saint John, New Brunswick.

The New Brunswick Potato Shippers' Association and the New Brunswick Potato Marketing Board are of the opinion that preference to U.S.A. shippers is not an aid to the Canadian economy if

a segment of Canadian citizens must suffer a depressed economy to produce the alleged result. The activity at the port of Saint John, New Brunswick, will continue whether the potatoes passing through it are Maine, U.S A., or New Brunswick potatoes.

It is a fact that New Brunswick shippers have a very real fear of losing large foreign contracts to U.S.A. shippers, due to the higher freight rates imposed on New Brunswick potatoes. It is interesting to note that no compensatory or reciprocal, favourable freight rate exists in the State of Maine to permit of New Brunswick Potato Shippers using U.S.A. ports instead of Canadian to advantage, such as is currently available for Maine Shippers by reason of the freight structure applying on potatoes. Our organizations contend that in the best interests of our New Brunswick economy, and for the national economy as well, more equitable rates between U.S.A. and Canadian points concerned in the production and marketing of potatoes be instituted.

From the foregoing, the inequities in the freight rates charged on New Brunswick-produced potatoes as compared with those prevailing for potatoes raised in the State of Maine, U.S.A., for export to foreign countries are self-evidence. This discriminatory disadvantage has often forced New Brunswick shippers to purchase Maine-grown potatoes to fill foreign commitments in order to remain competitive and fulfil obligations. This

results in a surplus of New Brunswick potatoes, which, in turn, reduces the market price generally, reflects a loss to the producer and often requires the federal government to implement a diversion program to prevent a complete loss of the surplus production. It is respectfully submitted that a freight rate on New Brunswick potatoes equal to that afforded the Maine, U.S.A. shippers would make New Brunswick potatoes competitive for export and do much to resolve the problems hereinbefore stated.

The New Brunswick Potato Shippers' Association and the New Brunswick Potato Marketing Board on behalf of the producers and shippers strongly object to being penalized by freight rates on its shipments to other countries.

Local Rates: The transportation of New Brunswick-grown potatoes by railway to various points throughout the Maritime provinces is subject to what is referred to as a local freight rate scale.

The existing local rates do not appear to follow a pattern upon which an equitable basis for their establishment is evident. The following table shows the existing local freight rates applicable to New Brunswick-grown potatoes being transported to other Maritime centres as compared with the agreed rate of potatoes travelling to Montreal, P.Q., from the same point.

FROM	Rail-Way Miles	TO	Freight Rate Per Cwt.
Woodstock, N.B.	455	Montreal, P.Q.	.45
Woodstock, N.B.	542	Sydney, N.S.	.77
Woodstock, N.B.	383	Halifax, N.S.	.66
Woodstock, N.B.	132	Saint John, N.B.	.36

These associations realize that there is an "agreed freight" rate between the railway and the shippers on transport of potatoes to Montreal, P.Q., and it feels that all local rates should be in line with the "agreed rate" and in accordance with distances.

To note an existing unfair charge in rail transportation according to the local freight charges, reference is here made to the fact that there is not in existence a "through rate" between the two railway systems. This means that in cases where a shipper cannot ship his potatoes to their destination on one railway system, he must, in addition to the local established rate, pay a charge to the necessary dovetailing railway company for this connecting service.

It is strongly urged that such a "through rate" be established.

Conclusion: It is the submission of the New Brunswick Potato Shippers' Association and the New Brunswick Potato Marketing Board that in the light of the above, careful consideration should be given by this Royal Commission to make recommendations

for the necessary revision of the present freight rates charged by the railway companies of this country which would result in the following:

1. Local freight rates would conform and be more realistic with present "agreed charges" between the shippers and the railways basing the charges on actual mileage travelled comparable with the present agreed rate from Woodstock, N.B., to Montreal, P.Q.

2. That "through rates" be established for transportation of New Brunswick potatoes between the two railways, whether the product is for local or export purposes.

3. That export freight rates be established for New Brunswick potatoes equal to the export rates charged on Maine, U.S.A. potatoes which would make New Brunswick product competitive on all world markets.

THE ACTING CHAIRMAN: I take it you have an agreed charge?

MR. McCAIN: We have an agreed charge on Upper Canadian markets.

THE ACTING CHAIRMAN: From what point?

MR. McCAIN: From New Brunswick.

THE ACTING CHAIRMAN: To where?

MR. McCAIN: All points.

THE ACTING CHAIRMAN: Do I take it there is some quarrel with the Port of Saint John?

MR. McCAIN: No.

THE ACTING CHAIRMAN: No quarrel at all?

MR. McCAIN: No, sir.

THE ACTING CHAIRMAN: Are there any questions?

COMMISSIONER MANN: I have a couple of questions. Mr. McCain, these potatoes that you send out on contract, that you sell on contract to South America, why do the South American countries buy here at all? What type of potatoes are those?

MR. McCAIN: Those are seed potatoes I would say is probably 85 per cent of the business. It is a proven fact that potatoes grown in the northern hemisphere will produce much better results in the south. The south, in growing their own seed potatoes to re-plant after about three years completely degenerate and they receive only small potatoes. Because of that they come up here to buy the potatoes.

COMMISSIONER MANN: The only choice is to go to either Maine or New Brunswick for the best potatoes?

MR. McCAIN: The competition for the South American market is between Maine, New Brunswick, Prince Edward Island, Holland and Denmark.

COMMISSIONER MANN: The shipments that are made from the State of Maine, do they mainly or chiefly go through the port of Searsport?

MR. McCAIN: I believe they have gone both ways.

COMMISSIONER MANN: Who takes them? Supposing they do go to Searsport, they are taken down on the Bangor-Aroostook railroad?

MR. McCAIN: Yes.

COMMISSIONER MANN: Can you give this Commission an indication of who owns the Bangor-Aroostook railroad? Is it the citizens of Maine?

MR. McCAIN: I can only speak from my own information and that is in the State of Maine they operate only on potatoes and pulpwood --

COMMISSIONER MANN: Does the Board of Directors consist of citizens of Maine?

MR. McCAIN: People directly involved in these industries who fully recognize the effect that shipments can have on this industry.

COMMISSIONER MANN: Turning to your rates on local potatoes, rates on potatoes moving within the Atlantic provinces, you have an agreed charge to Ontario and Quebec destinations, but you have no agreed charge within the Atlantic provinces?

MR. McCAIN: That is right.

COMMISSIONER MANN: You presumably got this agreed charge to central Canada because of actual or potential competition?

MR. McCAIN: That is right.

COMMISSIONER MANN: Is there any actual competition to the railways on movements within the Atlantic provinces on potatoes from New Brunswick?

MR. McCAIN: I would say that the potato industry for the Maritimes at the present time is handled probably 90 per cent by the trucking industry.

COMMISSIONER MANN: Thank you very much.

COMMISSIONER PLATT: In the table on the second page where you give the export rate on potatoes,

how long has this been going on? Is this differential a recent development or has it been going on for several years.

MR. McCAIN: The differential has been there for quite a while, but it has only reached a major proportion in the last two or three years.

COMMISSIONER PLATT: Has this been an increase in your rates or a decrease in theirs?

MR. McCAIN: A decrease in ours and I believe a slight decrease in theirs.

MR. COOPER: Mr. McCain, how many members have you in the New Brunswick Potato Shippers' Association?

MR. McCAIN: Approximately 100.

MR. COOPER: What proportion of the production of potatoes is shipped through the members of the New Brunswick Potato Shippers' Association?

MR. McCAIN: At least 95 per cent.

MR. COOPER: Is it an incorporated body or a voluntary association?

MR. McCAIN: A voluntary association.

MR. COOPER: The New Brunswick Potato marketing Board is an agency of the government?

MR. McCAIN: No, it is an agency of the producers.

MR. COOPER: That is a producers' organization?

MR. McCAIN: That is right.

MR. COOPER: A voluntary organization of producers?

MR. McCAIN: Yes, sir.

MR. COOPER: How many producers are members of the Potato Marketing Board, do you know?

MR. McCAIN: I could not say, but in order to become effective I believe they had to have 85 per cent of the farmers agree to it.

MR. COOPER: 85 per cent of the farmers producing potatoes?

MR. McCAIN: That is right, over one acre.

MR. COOPER: Why would they have to have that figure of 85 per cent?

MR. McCAIN: It is an incorporated company, and I believe that is the law laid down by the government.

MR. COOPER: So the New Brunswick Potato Marketing Board was established not as a direct agency of the government but nevertheless with relation to the statute of the New Brunswick government?

MR. McCAIN: That is right.

MR. COOPER: What is that statute?

MR. McCAIN: I am afraid I do not know.

MR. COOPER: I did not quite catch your answer to Commissioner Mann, but if I am correct I think you said that 90 per cent of the potatoes shipped out of the Maritimes are shipped by road transport?

MR. McCAIN: Yes, sir.

MR. COOPER: That is correct, is it?

MR. McCAIN: To the best of my knowledge

and belief, sir.

MR. COOPER: This differential in your table on the second page of the brief as between export to South America and other foreign countries was established when?

MR. McCAIN: Three years ago, I believe.

MR. COOPER: How did it come about?

MR. McCAIN: At that time Venezuela, Argentina and Uruguay were our largest markets. The outside markets such as Greece and the West Indies were not an important factor, they were not large volume markets. A group of shippers went to the railroads and said, "Now look, we have to have a reduction because Maine is taking all this business" and that reduction was put in for one year. In fact, I think it was put in for three months and it has been extended as we went along.

MR. COOPER: It is still in effect?

MR. McCAIN: Still in effect.

MR. COOPER: Are the shippers in New Brunswick able to hold their South American business at that rate?

MR. McCAIN: No, we are gradually losing it.

MR. COOPER: And that is due to the fact that the Maine shippers have a lower freight rate?

MR. McCAIN: Certainly it is a contributing factor.

MR. COOPER: It is a contributing factor?

MR. McCAIN: Well, it is an important

factor and we need it the worst way. The State of Maine normally will not compete when it is a good year in the potato business. This year they haven't been a competing factor because the price has been a fair return to the farmer, but supposing like last year or next year when we have a surplus crop and it must be sold at a loss, then Maine very definitely becomes a factor and you may have a 10-cent a hundredweight differential, which is too much.

MR. COOPER: Has the association every protested its rate of 18 cents from Fulton, Maine, to West Saint John to the railway?

MR. McCAIN: Individually, not as a group.

MR. COOPER: That is all, thank you.

COMMISSIONER ANSCOMB: Just tell us what percentage of your total production is sold on the export market?

MR. McCAIN: I would say roughly 20 per cent.

COMMISSIONER ANSCOMB: Can you tell us what the total production is in the State of Maine as compared with the production in your own area?

MR. McCAIN: I wouldn't like to say, sir; we are the second largest producing section in North America.

COMMISSIONER ANSCOMB: Perhaps you can answer it this way; I want to find out if Maine simply dumps some of its products into foreign markets?

MR. McCAIN: That is about the size of it.

COMMISSIONER ANSCOMB: You are not in that position?

MR. McCAIN: No.

COMMISSIONER ANSCOMB: It might have an effect on the overall price to the grower?

MR. McCAIN: That is right.

THE ACTING CHAIRMAN: This Marketing Board is fully co-operative?

MR. McCAIN: Yes, it is set up that way, but the name is sort of confusing; it is set up for promotion, strictly advertising.

THE ACTING CHAIRMAN: Don't members have to deliver to it?

MR. McCAIN: No, it doesn't in any way market potatoes.

THE ACTING CHAIRMAN: What does it do?

MR. McCAIN: It has just been reactivated, sir, and its primary purpose at the present time is to collect fees for the advertising of New Brunswick potatoes.

THE ACTING CHAIRMAN: Mr. Wright?

MR. WRIGHT: Mr. McCain, most of your potatoes moving into the Ontario and Quebec markets move by rail under this agreed charge, I take it?

MR. McCAIN: Yes.

MR. WRIGHT: And what percentage of the total potato crop goes to the Ontario and Quebec areas?

MR. McCAIN: I wouldn't like to put a figure on that, sir; I will make a guess, but it

is strictly a guess.

THE ACTING CHAIRMAN: What is that?

MR. McCAIN: It would be strictly a guess as to giving an actual figure on it.

MR. WRIGHT: It would be an educated guess, I suppose?

MR. McCAIN: I would say 50 to 60 per cent.

MR. WRIGHT: And on the local market the potatoes, I think you said, move 90 per cent by truck?

MR. McCAIN: Correct.

MR. WRIGHT: And for that reason I suppose you are not interested in the agreed charge for local moves?

MR. McCAIN: I don't think the potato industry will turn it down, sir.

MR. WRIGHT: Have they ever approached the railways about an agreed charge?

MR. McCAIN: No sir, they haven't.

MR. WRIGHT: The potatoes for export move mainly by rail, do they?

MR. McCAIN: Yes.

MR. WRIGHT: Why do they move by rail?

MR. McCAIN: Well, they shipments by export require a large volume for a short space of time; the facilities in Saint John are not large enough to handle it by trucking.

MR. WRIGHT: There are many reasons why it is preferable to handle by rail for export?

MR. McCAIN: Yes.

MR. WRIGHT: Now, you are concerned about the differential which exists in the rates for movements from the State of Maine, Searsport and West Saint John, as against rates from New Brunswick points to the port of St. Lawrence?

MR. McCAIN: Yes.

MR. WRIGHT: And you have been concerned about that for some little time, haven't you?

MR. McCAIN: Yes.

MR. WRIGHT: And just tell me what is your connection, the connection of the potato growers in the Maritimes with the Canadian Horticural Council?

MR. McCAIN: The Potato Shippers' Association is a member of the Horticural Council.

MR. WRIGHT: And through that council did your association file a complaint with the Board of Transport Commissioners?

MR. McCAIN: Yes.

MR. WRIGHT: And that was filed last March, was it not?

MR. McCAIN: Yes.

MR. WRIGHT: And that was a complaint with respect to the differential between the rates from Maine and New Brunswick for export?

MR. McCAIN: Yes.

MR. WRIGHT: And your complaint was submitted to the Board and I believe the railways were given an opportunity to make their submissions on that complaint?

MR. McCAIN: Yes.

MR. WRIGHT: And what was the decision of the Board on that?

MR. McCAIN: I have never seen the decision.

MR. WRIGHT: You have never seen the decision?

MR. McCAIN: No.

MR. WRIGHT: And it was either turned down, then, I suppose, or it is still under consideration by the Board?

MR. McCAIN: That is right.

THE ACTING CHAIRMAN: Which is it, Mr. Wright?

MR. WRIGHT: My instructions are that it was turned down, Mr. Chairman; I can't get any clear information on that, so it is either one or the other! Mr. Chairman, the Board file number on this is 23414.42.

THE ACTING CHAIRMAN: Well, we will check that and find out.

MR. WRIGHT: If you wish, I will get the information for you.

THE ACTING CHAIRMAN: Mr. Ellicott can get it.

MR. WRIGHT: Now, in so far as the export movements to South America are concerned, I believe that on September 23, 1957, the potato growers were given a straight 5 cents per hundred pounds reduction from all producing points in New Brunswick to Canadian Maritime ports?

MR. McCAIN: For South American countries, yes.

MR. WRIGHT: I think that is all.

THE ACTING CHAIRMAN: You have had some co-operation from the railways?

MR. McCAIN: Yes.

THE ACTING CHAIRMAN: They have been anxious to assist your export?

MR. McCAIN: Yes, I would say so.

THE ACTING CHAIRMAN: Thank you.

MR. McCAIN: I think we could stand a little more help, too.

THE ACTING CHAIRMAN: Now, we have the New Brunswick Seed Growers' Co-Operative.

MR. COOPER: The submission of the New Brunswick Seed Growers' Co-Operative Limited will be Exhibit 17.

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SUBMISSION OF
NEW BRUNSWICK SEED GROWERS'
CO-OPERATIVE LTD.

Appearance:

Mr. Douglas B. Murphy - Secretary-Treasurer.

EXHIBIT NO. 17: Brief of New Brunswick Seed Growers' Co-Operative Limited.

THE ACTING CHAIRMAN: You are Mr. Murphy?

MR. MURPHY: Yes.

THE ACTING CHAIRMAN: It is Douglas B. Murphy?

MR. MURPHY: That is right.

THE ACTING CHAIRMAN: My colleagues said you should have presented the potato brief! All right, Mr. Murphy.

MR. MURPHY: Mr. Chairman and Commissioners: The following submission relative to freight rates is made on behalf of the commercial grain growers in New Brunswick by the New Brunswick Seed Growers Co-operative Limited with head office and plant at Hartland, N.B.

2. Our organization, as the name implies, is a co-operative one and operates both seed and feed departments.

3. We provide central marketing facilities for producers by 1. purchasing from farmers, largely in the potato growing area of the province, such quantities of feed grains, seed grains and forage crop seeds as they may wish to sell and 2.

by selling to markets outside of this area such quantities of these commodities which are in excess of the local requirements. In association with our marketing activities we operate the most up-to-date seed cleaning plant in the Maritime provinces and an up-to-date feed manufacturing plant.

4. We purchase the bulk of our seed grain in a commercial potato producing area of the province which is a surplus grain producing district and is one of the most concentrated areas in Canada for the production of registered seed grain. New Brunswick registered seed grain (oats and barley) has consistently won high awards in both national and international competitions at the Royal Winter Fair, Toronto, Ontario and the International Hay and Grain Show, Chicago, Illinois.

5. For a number of years we had a regular movement of seed oats to the United States and Central Canada, but, this movement has decreased mainly because of the fact that varieties more suited to local conditions have been developed there. This has led to a reduced demand for our varieties outside the Atlantic provinces.

6. We have thus been forced to develop our Maritime market for seed grain. In our efforts to develop this market it has become apparent to us that the prevailing freight rate structure on the movement of seed grain within the Maritimes is not favourable when two or more railways are involved in the haul from origin to destination.

7. As previously mentioned, our plant is situated at Hartland, N.B. Hartland is a point served exclusively by Canadian Pacific Railway Company. The closest connection with Canadian National Railways is at Woodstock, N.B., a rail distance of 13 miles from Hartland. Since the preponderance of our rail shipments are made to points in New Brunswick and Nova Scotia not served by Canadian Pacific Railway, we are forced to use either two or three railway lines in order to reach our customers. In other words, a shipment of seed grain to an account in Sydney, N.S., travels only 13 miles on Canadian Pacific Lines to Woodstock, N.B. where it is given to Canadian National for the haul of 541.4 miles over the lines of that railway to destination.

8. It will be seen, therefore, that we cannot reach the majority of our customers by the use of the originating carrier alone.

9. Because of the way in which the rates for these multiple line hauls are constructed, this situation has adverse effects on our organization. The total rate on shipments made from Hartland to points on Canadian National and Dominion Atlantic Railways is made up of the sum of local rates of each participating railway, except that each railway deducts one cent per 100 pounds in recognition of the fact that its haul is only part of the total haul.

10. We submit that the reduction of only one cent from the local rate of each participating railway is an entirely inadequate recognition

of the fact that each such railway performs only a part of what is essentially a through movement.

11. It is our respectful submission that the rate over more than one railway should be made as if the shipment moved over only one line for the distance involved.

12. Appendix "A" to this submission points up the situation outlined above. It will be seen from the Appendix that the combination rates presently in effect on our shipments are very much higher than rates based on the through distance.

13. In the case of a two-line haul such as Hartland, N.B. to Bridgewater, N.S., the actual rate is 14 cents per 100 pounds higher than the rate which would apply if one carrier were involved. The situation is even more adverse when three lines participate in the haul, as will be seen from the example of a movement from Hartland to Coldbrook, N.S., where the actual rate is 32 cents per 100 pounds higher than the rate based on the through distance.

14. It is the view of the New Brunswick Seed Growers' Co-operative Limited that the present rate structure tends to curtail the distribution of Maritime-grown seed grain within the Atlantic provinces. This organization submits that a rate structure built on the principle that the single line rate be applied for the distance involved in shipments from Hartland would increase the seed grain traffic available to the railways.

15. While this brief deals primarily with the particular problem faced by the New Brunswick Seed Growers' Co-operative Limited, we feel that it is only an illustration of a general situation which prevails in the Maritimes whenever shipments must be moved over several railway lines. Undoubtedly, your Commission will receive other submissions on this matter and we hope that this brief will be of some assistance in your analysis of the situation.

THE ACTING CHAIRMAN: We can have the appendix taken into the record.

APPENDIX A

Statement Showing A Comparison Of the Carload Rail Rates On Seed Grains From Hartland, N.B. to Destinations in the Provinces of New Brunswick and Nova Scotia Served by The Canadian National Railways and The Dominion Atlantic Railway With the Rates That Would Apply Via One Railway

Rates in cents per 100 lbs.

Destination	Actual Rate	Route	(a) Shortest Rail Distance	(b) Route	Rate Based on Through Distance
New Brunswick					
Campbellton	19 CPR				
	27 CNR				
Total	46	1	185 Miles	1	39
Jacquet River	19 CPR				
	32 CNR				
Total	51	1	220 Miles	1	40
Moncton	26 CPR				
	19 CNR				
Total	45	5	171 Miles	5	39
New-Castle	19 CPR				
	27 CNR				
Total	46	3	181 Miles	3	39
St. Quentin	19 CPR				
	14 CNR				
Total	33	1	116 Miles	1	28
Nova Scotia					
Antigonish	13 CPR				
	50 CNR				
Total	63	2	372 Miles	5	51

Destination	Actual Rate	Route	(a) Shortest Rail Distance	(b) Route	Rate Based on Through Distance
Nova Scotia (Cont'd)					
Aylesford	13 CPR 50 CNR 20 DAR				
Total	83	4	397 Miles	6	51
Bridgewater	19 CPR 50 CNR				
Total	69	3	433 Miles	5	55
Brookfield	13 CPR 49 CNR				
Total	62	2	304 Miles	5	50
Brooklyn (Hantz)	13 CPR 50 CNR 15 DAR				
Total	78	4	348 Miles	6	50
Coldbrook	13 CPR 50 CNR 20 DAR				
Total	83	4	383 Miles	6	51
New Glasgow	13 CPR 50 CNR				
Total	63	2	331 Miles	5	50
Pictou	13 CPR 49 CNR				
Total	62	2	318 Miles	5	50
Shubenacadie	13 CPR 49 CNR				
Total	62	2	317 Miles	5	50
Stellarton	13 CPR 50 CNR				
Total	63	2	329 Miles	5	50

Destination	Actual Rate	Route	(a) Shortest Rail Distance	(b) Route	Rate Based on Through Distance
Nova Scotia (Cont'd)					
Stewiacke	13 CPR 49 CNR				
Total	62	2	313 Miles	5	50
Sydney	13 CPR 62 CNR				
Total	75	2	518 Miles	5	62
Truro	13 CPR 49 CNR				
Total	62	2	296 Miles	5	46
Windsor	13 CPR 50 CNR 15 DAR				
Total	78	4	354 Miles	6	51

Explanation of Reference Marks

(a) Rail distance from Hartland, N.B. to destination shown is via interchange point providing the shortest total distance.

(b) Using rate scale published in C.N.R. tariff C.G. 120-3, C.T.C. E-4031

Explanation of Route Numbers

1 - C.P.R. Cyr. Jct., N.B., C.N.R.

2 - C.P.R. Woodstock, N.B., C.N.R.

3 - C.P.R. South Devon, N.B., C.N.R.

4 - C.P.R. Woodstock, N.B., C.N.R. Windsor Jct., N.B., D.A.R.

5 - C.P.R. Chipman, N.B., C.N.R.

6 - C.P.R. Chipman, N.B., C.N.R. Truro, N.S., D.A.R.

<u>Tariff References</u>

C.N. Rys. C.G. 120-3, C.T.C. E-4031

C.N. Rys. D. 25-1, C.T.C. E-4034

C.P. Ry. E-1360-B, C.T.C. E-5181

C.P. Ry. E-2750-B, C.T.C. E-4737

D.A. Ry. 93-C, C.T.C. 1210

D.A. Ry. 5, C.T.C. 1180

NOTE: Rates are at the C.F.A. 84-A (17%) level.

THE ACTING CHAIRMAN: Your real complaint is on the single rate, the charges which are made now?

MR. MURPHY: Yes.

THE ACTING CHAIRMAN: Any questions?

COMMISSIONER GOBEIL: You say, sir, on page 3, paragraph 9, that, "Because of the way in which the rates for these multiple line hauls are constructed,". Would that mean that the rates are constructed here in a different way in the Maritimes than they would be in Ontario or Quebec as far as you know?

MR. MURPHY: I couldn't answer that; I don't know. Here I think it is a matter that they are just compounding themselves at such rates with every carrier.

COMMISSIONER GOBEIL: Have you discussed this matter with the Board of Transport or the railways?

MR. MURPHY: Yes, we have placed this matter before the railways. We wrote to the railways concerned on July 2nd. We haven't any

indication yet as to whether they are going to do anything or consider it favourably or not.

THE ACTING CHAIRMAN: It is still being studied?

MR. MURPHY: Yes.

COMMISSIONER PLATT: Is your plant at Hartland on trackage?

MR. MURPHY: Yes, we are on a spur to the main line.

COMMISSIONER PLATT: So that you can process most of your product in sacks?

MR. MURPHY: Yes.

COMMISSIONER PLATT: And you can load directly into railway trucks?

MR. MURPHY: Yes, out of the plant doorway into the car.

MR. COOPER: Do you use any road transport at all in your operations?

MR. MURPHY: We do, as much as we can. We have a truck of our own and as long as it is within any reasonable distance we deliver with our own truck. That would be, perhaps as far as Moncton or Saint John sometimes going south and perhaps up to Edmundston going north.

MR. COOPER: You only use your own truck; you don't ship through any licensed motor carrier?

MR. MURPHY: No, sir.

MR. COOPER: You have no agreed charges?

MR. MURPHY: No.

MR. COOPER: Have you applied for agreed

charges?

MR. MURPHY: No.

MR. COOPER: Could you give the Commission some indication as to the volume of feed grains which you ship each year?

MR. MURPHY: Last year we shipped, perhaps, some 28 carloads.

MR. COOPER: How long has your company been in operation?

MR. MURPHY: Since 1947; that is when it was incorporated.

MR. COOPER: And before that it operated as a private company, or, rather, as a partnership?

MR. MURPHY: No. Actually, it grew from when the provincial government place a feed cleaning machine in the Hartland area in an effort to get the farmers interested in cleaning their grain before they put it into the ground, and after they got established the Department wanted to step aside, but they still wanted the facilities available to the farmers of the area; and so, around that, a co-operative was formed, extending to the feed grain business.

THE ACTING CHAIRMAN: What grains are involved?

MR. MURPHY: Largely oats.

THE ACTING CHAIRMAN: Oats, largely?

MR. MURPHY: Some barley; a very little bit of wheat.

MR. MAURO: I understand that in the eastern

region of the province of Ontario and Quebec the method utilized on these inter-line rates is based on through-mileage single factor rates. Do you have any knowledge of the method which is utilized in Ontario and Quebec?

MR. MURPHY: No.

MR. MAURO: I take it you would support any movement -- I am not suggesting that the province of Manitoba is starting a movement -- but any movement by other interested parties to have the same method utilized in the Maritimes as in other regions?

MR. MURPHY: I would.

MR. BOYD: I think you mentioned you wrote the railways on July 2nd?

MR. MURPHY: Yes.

MR. BOYD: I wonder if your records would indicate to whom you wrote, or do you recall that?

MR. MURPHY: I have a copy of the letter here. It was Mr. Leslie in Saint John, the Division Freight Agent; and to Mr. C.S. Clancy in Halifax, of Dominion Atlantic; and Mr. W.C. White in Moncton.

MR. BOYD: That was July this year?

MR. MURPHY: Yes.

THE ACTING CHAIRMAN: Thank you very much, Mr. Murphy.

Now we will have the Saint John Local Employment brief.

SUBMISSION OF
THE SAINT JOHN LOCAL EMPLOYMENT
COMMITTEE

Appearance:

Mr. F.C. Mortimer

EXHIBIT NO. 18: Brief of The Saint John Local Employment Committee.

MR. MORTIMER: Mr. Chairman, this brief was to have been read by Judge Lane of Moncton, but he has been delayed in getting here.

THE ACTING CHAIRMAN: We will be glad to hear your submission. The question may arise as to whether it comes within the ambit of our Terms of Reference, but we will hear you, in any event.

MR. MORTIMER: Thank you very much.

1. Your Commission is constituted to examine and to report upon the many difficult problems in the transportation field affecting local, regional and national interests in Canada. When arrangements were made for the Saint John Local Employment Committee to appear before you, it seemed certain that the problems pertinent to this area had been affected drastically and, in their significance, intensified by announcements made concerning the opening of the Lower St. Lawrence ports to winter traffic: For any substantial diversion of winter traffic from the Ports of Saint John and Halifax must inevitably result in the reduction both of port and railway

traffic volume and yield substantial unemployment problems in the area. Such a diversion would require that the problems of the area be viewed in a perspective totally unanticipated when your Commission was appointed and the present hearings scheduled. Since our arrangements were made, there have been many conflicting declarations as to federal policy with respect to the opening of the Lower St. Lawrence ports, and the principal competitive port, Quebec City. It is the view of this Committee that the implications for the Maritime ports and transportation are sufficiently grave to justify a submission in general terms at this time.

2. The Committee in its presentation includes as a matter of record the statement made by the Minister of Transport, the Hon. George Hees, concerning the opening of the Lower St. Lawrence to winter traffic in the current season (as reported - The Telegraph-Journal, October 29, 1959):

> "We are hopeful that it will be possible to arrange what amounts to a standing patrol in the Lower St. Lawrence of one of our ice-breakers, to serve ships using the ports in this area.
>
> We will be in a position to undertake the maintenance of standing patrols, which would make winter navigation within the limitation of serious, adverse weather conditions, a reality this winter."

The clarification of this statement is that the Department of Transport does not plan to use ice-breakers to keep the Port of Quebec open for navigation this winter: "There will be absolutely no change in the Quebec City situation this winter". (as reported, The Daily Gleaner, November 6, 1959).

3. The consequences to the Maritime ports and economy, in the event of the opening of the lower St. Lawrence to competitive winter traffic, have not been considered, so far as the Committee is aware, by any previous Commission: The assumption that winter navigation on the Lower St. Lawrence was impossible seemed indeed impregnable before it was undermined, as it has been, (in the words of the Montreal Star) in "a remarkably short time."

4. To the Committee, as presently advised, it seems reasonable to assume that ice is no longer a barrier in the Lower St. Lawrence to Quebec City. The economic factors involved in transportation would seem to be such as to make it certain, after initial experiment, that a very extensive diversion of winter shipping would occur in the normal course of events; the pace of that diversion being accelerated by the economic pressures for all season use of the North Shore Ports - pressures occurring in conjunction with the possibilities (of carriers and storage) inherent in the St. Lawrence Seaways system.

5. (a) Your Commission is sitting at the initial stage of this development: Technological advances in steel-steam technique caused

a revolution in the modes of transportation to the profound and acknowledge detriment of the Maritime economy; the implications to the economy were foreshadowed but, in the expressed view of the Royal Commission on Dominion-Provincial Relations (page 24, Book 1), the area was "not alert" to them.

(b) The technological advances, represented by modern ice-breakers and navigational aids, which have made it possible to create artifical winter ports on the Lower St. Lawrence, may be of a similar order in their significanse to the Maritime area; the area is alert to the implications and must seek to avoid or mitigate them.

6. If, in the view of the Commission, its deliberations and recommendations with respect to this area cannot be affected by the prospective opening of the Lower St. Lawrence ports before the event, it is open to the Commission to enter a caveat to its recommendations in the event the St. Lawrence should be opened to competitive winter traffic. Such is the burden and purpose of this submission.

7. The Commission will appreciate that accurate estimates are not available to indicate the true extent of the traffic diversion that would occur from the natural ports of Saint John and Halifax consequent on the opening of the Lower St. Lawrence to competitive winter traffic; nor are estimates available to indicate the true

impact on the economy.

8. It may be indicated, however, solely as a matter of record, that, for the current year alone, officials at the Port of Quebec have announced some 25 sailings booked from that harbour and that Canadian Pacific Steamships Limited, a major user of the Port of Saint John, has scheduled three winter sailings from Quebec of its "beaver" line (as reported, The Globe and Mail, October 26, 1959); the scheduled sailings, if affected by the subsequent announcement of the Transport Department, have not as yet been cancelled. Various other estimates, which appear to be modest, indicate that as much as three million tons of cargo might eventually be diverted from Saint John and Halifax resulting in a direct economic loss in the amount of $15,000,000 per annum (preliminary estimate, Saint John Board of Trade, as reported, The Evening Times-Globe, October 30, 1959).

9. (a) In a more general sense, the consequences of opening the lower St. Lawrence to competitive winter traffic are not in doubt if it is reasonable to assume that the economics which prevail with respect to summer traffic would largely apply to winter traffic:

(a) The ports of Saint John and Halifax in winter as in summer would be reduced to barren empty monuments;

(b) The volume of rail transport in the area would be seriously reduced and associated trades and services curtailed;

(c) The so-called "seasonal" unemployment associated with the operation of the ports and rail transport would be aggravated seriously;

(d) The level of income and purchasing power in the area would be depressed.

(b) To offset consequences so grave is beyond the ability of the area.

10. (a) The general forces that have shaped the economy of the area are well understood; so far as they have a bearing on the question, it is common knowledge that the area has not shared in the general economic advance of the nation and, for nearly a century since Confederation, the relative economic level of the area has been steadily declining; it is commonly recognized that, while other factors have been present, national transportation and tariff policies, where they have not contributed to the decline, have aggravated the difficulties.

(b) Would the result not be regressive in the extreme if the Ports of Saint John and Halifax were eliminated for the movement of national traffic.

11. (a) The interrelation between the ports and rail traffic in the area requires no elucidation. The guarantee of an Intercolonial Railway was an important reason for entering Confederation since it promised to route Canadian exports through Maritime ports and to open the

Canadian market to Maritime goods (see generally, Petrie, The Regional Economy of New Brunswick, 1944, page 401); when that promise was not realized, the Canadian Pacific Railway was induced "under strong pressure" from the Dominion Government to build the Short Line across Maine to Saint John (Report of Royal Commission Dominion - Provincial Relations, Book 11, page 256).

(b) It was the conclusion of the Royal Commission on Dominion-Provincial Relations that, while the policies pursued by the Dominion Government had failed to achieve in full the ends sought, "The fullest possible utilization of the ports of the Maritime provinces consistent with the general welfare of the Canadian economy must remain in the future (as it has been in the past) a prime objective of Canadian policy." (Report, Book 11, pages 248, 259.

(c) The observations of the Royal Commission were made specifically in relation to the movement of Canadian made goods through Maritime ports vis-a-vis foreign ports; nevertheless, the observations affirm and emphasize an historic national policy in relation to this area.

(d) In the view of this Committee, no departure from that policy should occur before the most careful scrutiny is made of the interests involved and an assessment is made of the consequences. If any departure should occur before the Commission reports, the implications of the

departure should be considered by the Commission in framing its recommendations.

12 (a) Consideration has been given to placing before the Commission various formulae which, in the event of the opening of the St. Lawrence to competitive winter traffic, might provide for an equalization of rates and the maintenance of the competitive positions of the ports of Saint John and Halifax, including the obvious proposal of a subsidy equal to the difference in ocean freight costs and the costs involved in providing special navigation aids in the St. Lawrence.

(b) This Committee concluded that to propose an appropriate formula would require factual determinations not known or available to the Committee and would involve, (in any event) highly technical considerations.

(c) One view may be expressed however; while an equalization formula would maintain the competitive positions of Saint John and Halifax, such a formula would not provide against traffic diversions based on other reasons with their ensuing detriment to the area; accordingly, additional or supplementary measures may be required.

13. It is not our intention to enter upon matters presented before you in other submissions: However, it may be emphasized that the problem of port traffic in this area is affected not only by the prospective opening of the Lower

St. Lawrence to winter traffic in the sense discussed, but also by the gradual extension of the St. Lawrence shipping season for non-reinforced vessels. In our view, this development should receive study and consideration by the Commission.

14. Our specific recommendations are:

(1) That the Commission, in formulating its recommendations with respect to this area, should study and consider the impact of the gradual extension of the St. Lawrence shipping season;

(2) That the Commission, in the event the lower St. Lawrence is not opened to competitive winter shipping as such before the Commission reports, should predicate its recommendations on the assumption that the maintenance of the ports of Saint John and Halifax is a prime objective of national policy and enter a caveat for the re-examination of transportation policies/in this area should any change occur in national policy;

(3) That the Commission, in the event a change should occur in national policy with respect to the St. Lawrence ports before the Commission reports, should cause a study to be made of the consequences of that change with a view to the maintenance of the competitive positions of the ports of Saint John and

Halifax and the recommendation of such other measures as may be required;

(4) That the Commission, in the event mentioned, should arrange for further hearings in this area or for the reception of written submissions.

15. Mr. Chairman, we are grateful for this appearance before you and would appreciate a further opportunity to appear should any change occur in matters touching our submission.

This is signed by the members of the Saint John Committee of the Local Employment group and by Judge Lane who is Chairman of the Atlantic Regional Employment Committee and Mr. Smith in an advisory capacity.

THE CHAIRMAN: Mr. Mortimer, our problem as a Commission is that we are bound by our Terms of Reference. We would be glad to consider your submission in so far as we find it comes within the powers assigned to us by the Governor General in Council. I cannot raise much hope that this Commission will arrange further hearings in the area because we have only so much time in which to work and this is a very large country. However, we will certainly give consideration to what you said here.

MR. MORTIMER: If I could just ask in that connection -- I quite appreciate you have many meetings and just a certain amount of time, but could we have the opportunity of submitting a further brief to you in Ottawa?

THE ACTING CHAIRMAN: We will be there and you could contact the Secretary.

MR. MORTIMER: It might be more convenient for us to travel to Ottawa than have your group come here.

THE ACTING CHAIRMAN: I am afraid, much as we love Fredericton, we will not be here again.

MR. MORTINER: Could we leave it at that, that we can appear in Ottawa?

THE ACTING CHAIRMAN: Yes.

COMMISSIONER BALCH: Mr. Mortimer, could you clarify number five for me? It says:

> "Your Commission is sitting at the initial stage of this development: technological advances in steel-steam technique caused a revolution in the modes of transportation to the profound and acknowledge detriment of the Maritime economy;"

In what way?

MR. MORTIMER: The Maritime economy at that time was very prosperous and it was in the days of a sailing ship when they used to build the ships. It is a reminder this is not the first crisis we have had to face here but we had passed through all kinds of crises associated with our national economy.

MR. COOPER: I have no questions, Mr. Chairman.

MR. MAURO: No questions, sir.

MR. BOYD: No questions.

MR. WRIGHT: No questions.

THE ACTING CHAIRMAN: Thank you very much, Mr. Mortimer.

We have one more brief to go and I think perhaps we should adjourn for a few minutes. I have one announcement to make at this time, if anybody wants a copy of the evidence they can order it from the officials reporters, Angus, Stonehouse and Company Limited. You might see the reporters who are here and they can get you a copy of the transcript if it is required.

I think we will take a five-minute adjournment now

--- A short recess.

I think that Mr. Maxwell of the New Brunswick Potato Board simply wants to make a statement; he will not be giving evidence at any length, but he wants to make a statement as to whom this board actually is. Will you come up, please?

MR. MAXWELL: Thank you very much, Mr. Chairman.

THE CHAIRMAN: What is your first name?

MR. MAXWELL: R.W. Maxwell. I merely sought you, Mr. Chairman, and the Members of the Commission to clarify, firstly, the name of this organization in view of the fact that it was divulged to you by Mr. McCain, Secretary of the New Brunswick Potato Shippers' Association that despite the name we are not engaged in marketing, and the reason we

have retained that name is that we would be unable to obtain a charter from the provincial government, for a body which was more or less similar in constitution with the body which we succeeded. The original New Brunswick Potato Marketing Board functioned for about seven years, ending in 1954 or 1955, and there was no activity as a board until about a year ago and we are still in the process of becoming reorganized. Ours is primarily a promotional board, and educational in the sense that we hope to disseminate the techniques which shall be effective in increasing the quality of our potatoes, but as the name would indicate it does necessitate some clarification.

Mr. McCain was correct in stating that the 2,000 potato growers approximately in New Brunswick in the commercial potato growing areas, which are usually found in Madawaska and Victoria, formed a petition to permit us to proceed with the reorganization, and in the commercial growing areas we represent, I should say, 85 per cent, and throughout the province about 80 per cent and including all areas where in potatoes, but not on a commercial basis, are grown.

THE ACTING CHAIRMAN: But you don't market them?

MR. MAXWELL: We don't market them, sir; it is really a promotional scheme and it primarily was a promotional scheme.

THE ACTING CHAIRMAN: Any questions?

MR. MAXWELL: I merely wanted to make that clear.

THE ACTING CHAIRMAN: Thank you very much.

MR. MAXWELL: There may be this to be said, and no doubt Mr. McCain, whom we didn't hear, as under a misapprehension we arrived at 3 o'clock, having been told to be here between 3 and 4, and no doubt Mr. McCain elaborated on that aspect of the presentation, the preparation of which we collaborated on, that is, the New Brunswick Potato Marketing Board, that the freight structure is an increasingly limiting factor in our reaching the potato markets.

THE ACTING CHAIRMAN: I don't think he left anything undone.

MR. MAXWELL: He didn't? Well, that is great. For instance, the percentage of the freight cost that Montreal bears to the hauling of a 50-pound package of potatoes at Woodstock, is 26.8, and for a 75-pound bag it is 26.7, so the freight structure is really a limiting factor. Thank you very much.

THE ACTING CHAIRMAN: Thank you, Mr. Maxwell.

Now, we have the Peat Moss Industry. Mr. Langevin?

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SUBMISSION OF
ATLANTIC PEAT MOSS CO. LTD.

Appearance:

Mr. E. Langevin - Managing Director, Atlantic Peat Moss Co. Ltd.

EXHIBIT NO. 19: Brief of Atlantic Peat Moss Co. Ltd.

MR. LANGEVIN: Mr. Chairman and gentlemen, this brief is presented on behalf of the Atlantic Peat Moss Company Limited, which operated two bogs in the Shippegan area of north eastern New Brunswick.

The Shippegan area situated approximately 60 miles east of Bathurst has extensive peat moss deposits of the highest quality, most of them being located within a short distance of the C.N.R. lines.

The accumulation of aquatic plant life over centuries and in proper climatic, topographic and geologic conditions constitutes a deposit called peat bog. Depending on the above conditions, peat may vary in consistency from a very fibrous matted material to a highly decomposed mud having a moisture content of 88 to 93 per cent.

The highly decomposed peat owing to its B.T.U. content is used as fuel in several European countries (particularly the U.S.S.R., Ireland, Germany and Sweden.)

The fibrous peat is called either sphagnum, hypnum, moss, reed, sedge, carex, or grass peat,

depending on the type of plants from which it is formed.

Between those two extreme classifications we have the humus peat.

The fibrous and humus peats are used in agriculture as soil conditioner or litter. In general, peat moss or sphagnum peat has an absorption factor of 15 to 25 times its weight, while humus peat has one of 3 to 8. As soil conditioner or litter, the absorption power of peat is of great importance, because higher absorption means higher water retaining capacities, better aeration, slower decomposition and consequently more economical soil conditioning.

High quality peat moss bogs therefore, must contain a high percentage of sphagnum plant (over 75 per cent) and consequently the most favourable growing conditions of this plant will determine the location of such bogs.

Peat moss deposits in North America are found along or near the ocean littorals and at a latitude of about 46 degrees, and so we have deposits around Vancouver, B.C., Winnipeg, Man., Riviere du Loup, Quebec and Shippegan, N.B.

Atlantic Peat Moss Co. Ltd., and Fafard Peat Moss Ltd., are presently operating four bogs in the Shippegan area, with three processing plants. Their combined shipments in 1958 totalled more than 1,300 carloads of peat moss, all shipments being made by rail. Peat moss is

sold f.o.b. point of delivery and freight; costs represent about one-third of our selling price. It is therefore, evident that transportation costs play a very important role in marketing our product.

The peat moss industry in Shippegan is giving employment to over 650 men in summer time and to about 150 in winter time. It should be noted that the only other alternative source of employment in this locality is fishing which is limited to the summer season. Therefore it can be seen that the peat moss industry is very important in the economy of the region.

The U.S.A. has large deposits of humus peat, but practically no peat moss deposits, and must therefore import most of their need from Europe or Canada.

In fact, 85 per cent of our production is sold in the northeastern states of U.S., the balance being sold in Ontario.

The western part of U .S. is mostly supplied by Canadian producers from Vancouver and Winnipeg, but the eastern and gulf sections are supplied mostly by European sources.

The U.S. import statistics by ports of entry for 1957 show that out of 150,000 tons of peat moss entering eastern ports, 105,000 tons or 70 per cent came from European sources, mostly from Germany.

The eastern Canadian producers find the competition from German peat producers very keen,

because German export trade is very well organized and is receiving certain government assistance.

The present currency exchange further aggravates our competitive position.

Nevertheless, it is safe to say that at least half of the eastern U.S. imports of European peat, could be supplied by Canadian producers from the Atlantic region provided that more favourable freight rates were made available.

This increased market would result in the additional production of about 50,000 tons of peat moss per year, providing employment to an additional 1,200 men or to express it in terms of carloads, it would mean an extra 2,500 carloads which would provide a greater utilization of existing railroad facilities.

Based on our last shipping season, the average freight paid to the C.N.R. was approximately $350.00 per carload. Therefore, this increased business would mean an additional revenue of about $875,000 to the railway. Most of this revenue would be retained by the C.N.R. because the larger portion of the hauls would be over its lines.

This business would also help Canada reduce its adverse trade balance with the United States.

The New Brunswick peat moss producers are further handicapped by the fact that they must pay from .06 to .14 per 100 pounds more than Riviere du Loup producers to ship their product to the United States. We feel that this difference

[illegible] be reduced.

is too great and could be reduced.

We therefore, would respectfully submit that this Commission look at the over-all position of the eastern Canadian peat moss producers shipping to the United States market by our Canadian railways versus the importation of foreign peat moss either directly via water through the St. Lawrence Seaway or via U.S. North Atlantic ports and U.S. railroads.

Thank you.

THE ACTING CHAIRMAN: Mr. Langevin, I don't know whether you were here this morning or not, but if you were you heard our Terms of Reference being read, and we mustn't interfere with the Board of Transport, but I think that if we can apply your submission anyway that we will be glad to give consideration to it. This is a great education to come out here and to find out about the resources of the province. I never knew what fiddleheads were until last night, and that is constructive, and now to know there is peat moss in such quantities is interesting and we are sure that it should be developed. Are there any questions?

COMMISSIONER ANSCOMB: Will you tell me, sir, on the last page of your brief you say the rate is $350 per carload that you pay to the C.N.R.; how much production per car would you expect to get to produce these 2,500 extra carloads?

MR. LANGEVIN: Well, you see, actually the way freight rates are is that our market -- we meet the German market at a certain point in going south to the United States or west, and

if we had a reduction, whatever it is, 5 cents, 10 cents per hundred, that would mean we could extend our market to a broader area and have possibilities there to replace the European loss.

COMMISSIONER ANSCOMB: I understand that perfectly, and that is the only reason I asked you was that it is quite obvious that what you suggest is perfectly logical from the economic viewpoint; if you could get a reduction you could increase your production by 2,500 carloads at least, so you say, but where I think I fall out with you is you then say that if that happened you would produce $875,000 more for the railway. Now, that doesn't work out because $350 per car for 2,500 cars is $875,000, and you don't propose to pay them $350, you want to pay them less. Now, I don't say you shouldn't, I am simply pointing out that your figures don't stand up.

MR. LANGEVIN: Well, that is right. If it was reduced -- that is based on the actual cost.

COMMISSIONER ANSCOMB: That is what I wanted to know.

MR. LANGEVIN: Well, that would mean 10 cents, you see, 10 cents per hundred means about $20 per car, so $20 per car is about 5 per cent out of that amount which is not a great deal, either, it is about $45,000 out of $845,000, which is not a very great deal.

COMMISSIONER ANSCOMB: Do you really think that that 20 cents would put you in a position to get another 2,500 cars by meeting competition from overseas? That is a lot of cars.

MR. LANGEVIN: It will surely help, no doubt about that because, you see, actually in fact our industry has been surviving the German moss market by the fact that we are going into smaller packages, it is not on account of the bulk shipments and, in fact, we are losing money, actually on the bulk shipments and we even refuse orders of bulk shipments unless we have diversified packaging, and it is only on the small packages that we can make a profit and make a go out of it.

COMMISSIONER ANSCOMB: Most of the imports from Europe are in bulk?

MR. LANGEVIN: Exactly.

COMMISSIONER ANSCOMB: Thank you.

COMMISSIONER GOBEIL: Your production of 1,300 carloads, where does it go mostly, to the United States?

MR. LANGEVIN: 85 per cent goes to the United States, to the north-eastern part of the United States, northern New York and over to Ohio and off to Chicago.

COMMISSIONER GOBEIL: Have you approached the railroad authorities to try to induce them to make another $500 or $800,000? I mean, to have an agreed charge, or whatever it is?

MR LANGEVIN: Unfortunately the attitude of the C.N.R. is that they are co-operative in a way, but they sense they are alone there and they are interested in the business, they think we can give them the business without reduction and they

don't come up with the lower rates unless they are forced to do it.

THE ACTING CHAIRMAN: You claim that you are behind the eight -ball?

MR. LANGEVIN: Yes.

COMMISSIONER MANN: On page 2 you talk about the greater utilization of existing railroad facilities that would result if certain conditions were met. Now, the one question I have is this; what type of car do you use for your shipment, specialized equipment or would any old boxcar do?

MR. LANGEVIN: No. For about 15 per cent we could use any type of boxcar; those are shipments going into Ontario where the minimum is 20,000, that is because the minimum on Canadian is 20,000, but on U.S. export the minimum is 40,000 and we need these 40-foot cars.

COMMISSIONER MANN: But they are all boxcars you use?

MR. LANGEVIN: They are all standard boxcars.

COMMISSIONER MANN: Thank you very much.

MR. LANGEVIN: Now, regarding what I meant by using the existing facilities, what I had in mind was that -- I am not an expert in the railroad, but I do presume that the line from Moncton to Montreal is not completely occupied.

THE ACTING CHAIRMAN: There is room on the rails.

MR. LANGEVIN: And it could be loaded more without very much excessive costs, and if even a

small reduction was given us we could probably help in filling that need.

THE ACTING CHAIRMAN: Mr. Cooper.

MR. COOPER: Mr. Chairman, may I first say that this submission of the Atlantic Peat Moss Company Limited will be Exhibit 19.

Mr. Langevin, you mentioned on page 2, the Atlantic Peat Moss Company Limited and Fafard Peat Moss Limited; are these companies affiliated companies, associated or independent companies?

MR. LANGEVIN: We are independent and competitive.

MR. COOPER: So that you have two operators in the area?

MR. LANGEVIN: Yes.

MR. COOPER: When you are speaking of this increase in the number of carloads that you could ship, are you referring to Atlantic Peat Moss Company Limited alone?

MR. LANGEVIN: No, I am referring even to provide -- I am referring mostly to general Eastern Canada including also the Quebec producers.

MR. COOPER: So these extra carloads will not be produced by Atlantic Peat Moss Company alone?

MR. LANGEVIN: They could be, if there was a reduction between -- if the difference or the increase in price we are paying compared to Riviere du Loup, and this was lowered, we would have at least as good a chance as Riviere du Loup people, and on the other hand our moss is of a

higher quality than the Riviere du Loup moss, and we presume that we could tackle a greater proportion of the market than maybe the Quebec producers on account of quality.

MR. COOPER: At the bottom of page 2 you say, "This increase market would result in the additional production of about 50,000 tons of peat moss per year," and then you express it further down in terms of carloads as meaning an extra 2,500 carloads. Now, that extra 2,500 carloads wouldn't come from Atlantic Peat Moss Company alone?

MR. LANGEVIN: Not exactly.

MR. COOPER: But from all the producers where?

MR. LANGEVIN: Well, I am speaking of what I call the Parisian market; if there was a better rate on the open market there might be another producer come along there and start an operation. We can't prevent that.

MR. COOPER: Are you talking about some other possibility of a producer coming in when you are speaking of the 2,500 carloads?

MR. LANGEVIN: Not exactly; we probably would have a good part of it, we could take a certain amount of it and the Riviere du Loup producers would probably increase their production to a certain extent, and maybe some other producer would come up into the region also.

MR. COOPER: Winnipeg?

MR. LANGEVIN: That it would mean as a whole an increase in tonnage and an increase in

men working in the peat moss of about 1,200 people, and it would mean also about 2,500 carloads of peat moss moving from the East to the north-eastern American States.

MR. COOPER: I got the impression you were talking of 2,500 carloads extra which would come out of shipping but that would not be so?

MR. LANGEVIN: Not necessarily.

MR. COOPER: And the employment of an additional 1,200 men would not be employed in shipping?

MR. LANGEVIN: Not necessarily.

MR. MAURO: I have no questions.

MR. SMITH: No questions.

MR. BOYD: Mr. Langevin, do the Riviere du Loup producers capture some of the United States market?

MR. LANGEVIN: Yes, they sell to the United States markets.

MR. BOYD: Are they more successful than you in reaching the U.S. markets?

MR. LANGEVIN: Well, they are, because their freight cost is a little less than ours.

MR. BOYD: But the importation is still 85 per cent from --?

MR. LANGEVIN: Yes, the Riviere du Loup, there is one point there -- Riviere du Loup belongs to -- there are four plants there which belong to a peat moss distributor in the U.S. who also imports German moss and this firm is interested in selling moss, but not necessarily Canadian moss.

As far as their selling moss for a profit, that is all they are interested in. They are interested up to a certain extent in producing a certain amount of Canadian moss, but not to the extent that we are interested.

THE ACTING CHAIRMAN: You have no German moss?

MR. LANGEVIN: Not at all. We are just fighting our market with Canadian moss alone and trying to promote it 100 per cent.

MR. SMITH: How far back does peat moss production in this country go?

MR. LENGEVIN: Since 1944 or 1945.

MR. SMITH: Prior to the war all peat moss came from foreign sources?

MR. LANGEVIN: That is right.

MR. WRIGHT: I have no questions.

THE ACTING CHAIRMAN: Thank you, Mr. Langevin.

Now are there any other submissions to be made? Any other verbal representations to be made to us? We are here to hear whatever may be presented and which is germaine to the inquiry, and if there is anybody who would like to say anything we would like to hear you now.

MR. COOPER: Mr. Chairman, just before you declare this session closed I should like to file as Exhibit 20 for the purposes of information a summary of Direct Transportation Assistance to the Maritime Provinces compiled in dollars from the

year 1927-28 to 1958-59. This summary has been prepared by us under the direction of the Director of Research of the Commission, Mr. Anderson and it is considered that in view of all we have heard of the Maritime Freight Rates Act and subsidies and so on that this summary should be filed for purposes of information of all those interested. With your permission I would like to file this now as Exhibit 20.

EXHIBIT NO. 20: Summary of Direct Transportation Assistance to the Maritime Provinces.

THE ACTING CHAIRMAN: I think you might make copies of that available to those counsel who are interested, because I think the information would be useful to them.

Ladies and gentlemen, we are about the end of the road so far as our hearing in Fredericton is concerned. May I again express my regret that the Chairman, Mr. McTague, was not here, but I am sure that he will read every word of the transcript and that he will be interested in all the evidence that has been given here and all the submissions that have been made.

May I on behalf of the Commission thank very sincerely the people of New Brunswick for the very thorough, helpful, friendly reception they have given us and for the attempts that have been made to guide us in our deliberations. I can

promise you nothing other than we will do our best. That reminds me of a story with which I will close: On the lone Prairie a man came across a little cross which had this epitaph: "Here lies Jim Daniels, he did his damndest; angels can do no more."

--- Whereupon the hearing adjourned at 4.15 o'clock p.m., to reconvene at 10 o'clock a.m. on Thursday, November 12th, 1959 in Charlottetown, P.E.I.